GEORGE WASHINGTON UNIVERSITY
SCHOOL OF GOVERNMENT

SIGNIFICANT ASPECTS IN THE DEVELOPMENT OF AN INTEGRATED LOGISTICS SUPPORT SYSTEM IN THE DEPARTMENT OF DEFENSE-- THE SINGLE MANAGER PLAN

By
CDR James Willard Cartee, SC, USN

For
Dr. A. Rex Johnson

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PREFACE

The recent announcement by the Secretary of Defense of single manager assignments in the supply and services field aroused curiosity with reference to previous efforts and results, and the background and potential of the single manager concept. This paper of inquiry resulted from that curiosity and has as its purpose the development of and answers to the following questions concerning single manager assignments: Historical development of specific efforts to accomplish unified logistic patterns. What is the single manager plan? What does it encompass? And what will it accomplish?

The information contained in this paper was largely obtained in conversation with or from references provided by representatives of the Office of the Assistant Secretary of Defense (Supply and Logistics), the Office of Naval Material, and the Bureau of Supplies and Accounts. The cooperation of representatives of the above cited agencies is hereby gratefully acknowledged.

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CHAPTER I

INTRODUCTION

General

By any yardstick the Department of Defense is the largest industry in the United States. Its expenditures consume between one-eighth and one-tenth of our national income. The Department employs more than 4,000,000 people, which is more than twice the manpower of the ten largest corporations of the nation, and which comprises 7% of the total national labor force, including military personnel. The assets, real and personal, approximate 140 billions of dollars. The activities of the Department of Defense are spread throughout the 48 states, in over 16,000 cities, and to 52 foreign countries.[1] The Navy alone is approximately 5 times the size of the 8 largest corporations in the United States, and carries in its supply system about 13 times the numbers of individual items of supply as the largest common type catalog issued by Sears Roebuck and Company.

By any standard of comparison, it is readily apparent that the Department of Defense or any one of its principal components (Army, Navy, or Air Force) is really big business, consumes a sizeable percent of the gross national economy, and by the very nature and size of its operations constitutes a fertile area for improper coordination and the occurrence of waste.

Prior to and during World War II, varying degrees of coordination were

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[1]Commission on Organization of the Executive Branch of the Government, Business Organization of the Department of Defense (Washington: Government Printing Office, 1955), p. 4.

achieved in the purchase of certain specific items; such as, lumber, subsistence, medical supply items, chemical warfare equipment, small arms, and small arms ammunition. To preserve and extend the benefits of wartime coordination, Secretaries Forrestal and Patterson in 1945 sponsored a joint review which provided the groundwork for many subsequent developments in the coordination of purchasing. However, the need for even more complete coordination throughout the whole field of supply--including storage, distribution, transportation, etc. was recognized. The joint review report commented: "We believe that closer coordination in these areas would be found entirely possible and highly desirable."[2]

Unification and Its Implications

As World War II came to an end, many responsible officials in Congress and in executive departments saw the need for more coordination in all of the operations of the Armed Services. The views of these officials were reflected in a concerted movement to achieve economy and coordination by statute. The culmination of this movement was the National Security Act of 1947, which established the Department of Defense to provide policy direction, authority, and control of the military departments and agencies. The Act specifically provided:

> Three military departments for the operation and administration of the Army, the Navy (including Naval Aviation and the U. S. Marine Corps), and the Air Force, with their assigned combat and service components; to provide for their authoritative coordination and unified direction under civilian control but not to merge them...and (Sec. 202a(3)) take appropriate steps to eliminate unnecessary duplication or overlapping in the fields of procurement, supply, transportation, storage, health and research...[3]

With the passage of the Unification Act, many unification partisans,

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[2]Ibid., p. 36.

[3]U.S. Congress, National Security Act, 1947, P. L. 243, 80th Congress (Washington: Government Printing Office, 1947), p. 3.

particularly congressional, thought that the statute provided the solutions to all problems of coordination, duplication, and waste. However, the Department of Defense was and is a monstrous organization, and the wheels of progress turn slowly. Over the years (immediately prior to and after the passage of the Unification Act) some of the ablest leaders and administrators have attempted to organize and manage the national defense along the same successful and economical lines that the nation is accustomed to in business and industry with varying degrees of success. The mandate in Section 202(a)(3) of the National Security Act "to take appropriate steps to eliminate unnecessary duplications..." is within itself highly discretionary and subject to much interpretation. Undoubtedly, the slowness of sweeping changes to appear in the supply, purchase, and related fields can be traced to the philosophy of decentralized operations practiced in industry, familiar to the civilian administrators of the Department of Defense, as well as the operating and readiness considerations inherent in the far flung Defense Department, and the "resistance to change" normally encountered when vested interests are disturbed.

In any event, the 1955 Hoover Commission Report laments:

> Since the passage of the National Security Act in 1947, efforts have been made to find ways to achieve coordination under the existing organization without an acceptable degree of success...[4]

The Department of Defense indicated the complexity of the coordination problem in the supply and services field in a February 1956 press release, which stated in part:

> One of the most perplexing problems besetting the Department of Defense, since its inception, has been the development of a suitable system for the distribution and management of common-use commercial type of items to the four military services. The objective, in this system development process, was to reduce inventories and eliminate the overlapping or duplication of functions within the Department of Defense Supply System, and at the same

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[4]Commission on Organization of the Executive Branch of the Government, op. cit., p. 37.

time positively assure that military readiness and the ability to retaliate within the fighting forces was not jeopardized. For nearly a decade, the DOD has reached for a solution to this problem...[5]

The Approach Pattern for Subsequent Chapters

In the preceding pages, the general background and need for coordination in the supply and services field in the Department of Defense has been established; the "mandatory" and "discretionary" provisions of the National Security Act of 1947, as applied to the supply and services areas of coordination have been discussed; and some comments by reputable agencies or administrators on progress or lack of progress have been presented.

The subsequent chapters will trace congressional and defense department actions, legislative and administrative, in attempts to achieve the proper coordination in the supply and services fields. Particular emphasis will be devoted to the Single Manager Assignment Plan recently announced by the Secretary of Defense.

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[5]Department of Defense Press Release, "New Department of Defense Unified Food Supply System Announced" (Washington: Department of Defense, February 1956), p. 1.

CHAPTER II

ATTITUDES AND ACTIONS OF CONGRESS AND THE DEPARTMENT OF DEFENSE 1947-1955

General

The Department of Defense as established by the National Security Act of 1947 was little more than a federation of three independent agencies under a Secretary who possessed relatively few powers and an inadequate staff. The Secretary of each Armed Service was declared to possess all powers, authority, and controls not specifically given to the Secretary of Defense by the 1947 National Security Act, and as the head of an executive department had, theoretically at least, full legal access for reporting to and consulting with the Chief Executive.

The Forrestal Diaries portray very vividly the struggles and tribulations of the first Secretary of Defense in attempting to achieve a unified budget presentation when faced with a total dollar ceiling imposed by the Chief Executive and the seeming inflexible recommendations of the Joint Chiefs of Staff. As Mr. Robert Lovett once remarked:

> ...The systems in departments differ in many respects, and they have grown up over the long period of years--in the case of the Army over a century. The organization of the three departments differ. Their controls differ. The only thing in which I think they are similar is in the perhaps understandable reluctance to give up the known for the unknown...[6]

It is little wonder, therefore, that progress at coordination was slow in becoming reality.

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[6]U.S., Congress, Senate, Implementation of Title IV, National Security Act of 1947 as amended (Washington: Government Printing Office, 1954), p. 11.

MATS and MSTS

The first visible efforts at elimination of duplications and overlapping was in the service field of transportation. During World War II, the Navy, in addition to the Air Force (Army Air Corps), had developed intricate and extensive air transportation facilities and route networks to provide logistic support to the operating forces. Many of the long overseas routes were parallel. It became evident very early after passage of the Unification Act that this was an area destined for close review and certain change, irrespective of the efficiency records depicted by the statisticians and the chart room talent. Accordingly, on 1 July 1948, the Naval Air Transport Service was disestablished, and the Navy transport squadrons that operated over parallel routes with those of the Air Force were merged with the Air Transport Command of the Air Force to form the Military Air Transport Service (MATS). MATS operates as a major command of the Air Force, utilizing Navy personnel and equipment in the ratios determined at that time, 1948. The Navy continued to fund for the material and personnel requirements necessary to support its determined contribution to the joint venture. While coordination was achieved it is undoubtedly still open to debate, particularly in the eyes of the Navy, as to whether significant economies have resulted, for the Navy was allowed to continue its short haul operations, and its efficiently operated organization was diffused with the more elaborate organization of the Air Force or retained and spread over the more restricted functions of fleet service.

Just as the Air Force and Navy had developed duplicating air transportation routes and facilities, the Army, in addition to the Navy, had acquired its own fleet of surface transportation and supporting port facilities. The Army's fleet was composed of chartered and civil service manned government owned

vessels, while the Navy's transport fleet was largely government owned and manned by service personnel. In October 1949 the Military Sea Transportation Service (MSTS) was established under Navy operation and direction. During the following year, the functions of ocean going transportation performed by the Army were phased into the MSTS organization. The operations of MSTS were placed under the industrial fund in July 1951.[7] Each service is billed for services rendered at rates to insure a breakeven operation. The testimony of Department of Defense officials before Congressional Committees indicates that tremendous economies have been achieved by the MSTS operation, with special emphasis to the Navy Industrial Fund procedures employed. This was corroborated by the Assistant Secretary of Defense (Comptroller), Mr. W.J. McNeil, in a speech before the Navy Comptroller Class at George Washington University in January 1956.

1949 Hoover Commission Report and Recommendations

The ink was little more than dry on the 1947 National Security Act before the beginning of the first Hoover Commission studies on Organization of the Executive Branch of the Government. These studies were akin to those that might have been conducted by a reputable consulting engineer firm. The various task force members that performed the spade work represented some of the best talent available in the professional fields studied and were picked from industry, government, and the professions. Certain comments by the 1949 Hoover Commission Report in the field of supply and logistics are considered pertinent, of which the following extracts are regarded as especially applicable to this inquiry:

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[7] P.K. Sherman, Economical Financial Operations in Government; The MSTS Under the Industrial Fund-Type of Operation (Unpublished MBA Thesis, George Washington University, January 1954), p. 5.

Supply is not fully recognized as an important executive function. At a time when personnel and budgeting have achieved status as vital staff functions, there has been a continued failure to appreciate fully the relationship of supply to government efficiency. There is no comprehensive government-wide system that gives adequate emphasis to the many phases of supply....A maze of laws and regulations surrounds the whole process with unnecessary red tape. The emphasis of the laws is not on promoting efficiency and economy but upon preventing fraud. Overregulation encourages routine buying and prevents economy and the exercise of initiative. Purchasing is consumed in red tape. It is estimated that on over half of the 3,000,000 purchase orders issued by civilian agencies, the cost of the paper work exceeded the cost of the items.[8]

The Commission's recommendations with respect to the field of supply were directed at both the civilian agencies and the Department of Defense. The more important of these recommendations were:

#3. Establish a Supply Policy Committee composed of representatives of the Bureau of Federal Supply and the National Military Establishment to coordinate civilian and military supply operations.
#4. Establish a Bureau of Federal Supply in the Office of General Services with competent personnel and clothed with adequate authority to provide the leadership necessary to achieve in the executive branch an efficient supply organization which would also coordinate with the National Military Establishment....
#11. Strengthen the Authority of the Secretary of Defense so that he may provide the leadership necessary for improving the supply operations of the National Military Establishment. This charter (Munitions Board) should be expanded, however, to cover all phases of military supply including purchasing, storage and issue, traffic management, specification, inspection, property identification, and property utilization...
#12. It is specifically recommended that the National Security Act of 1947 be amended so as to strengthen the authority of the Secretary of Defense in order that he may integrate the organization and procedures of the various phases of supply in the constituent departments of the National Military Establishment.[9]

1949 Amendments to the Unification Act

Undoubtedly, the most important and provocative recommendation listed above was that concerning amending the National Security Act of 1947 to strengthen the authority of the Secretary of Defense "in order that he may integrate the organization and procedures of the various phases of supply..."

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[8]Commission on Organization of the Executive Branch of the Government, op. cit., pp. 96-97.

[9]Ibid., p. 104.

This 'authority' had been the basis of much debate prior to the passage of the Unification Act, because various partisans feared the 'power' that one man would possess over so vast a territory as covered by the primary components of the Department of Defense. Even Mr. Forrestal, the original advocate of limited authority and control for the Secretary of Defense, changed his views when he faced up to the realities of providing results demanded of unification by the President of the United States, the Congress, and other interested persons and groups.

Congress, in response to the Hoover Commission recommendations, took action in 1949 to strengthen the original Unification Act. Public Law 216, 81st Congress, strengthened and clarified in some respects the authority of the Secretary of Defense, but omitted any new measures for a unified supply organization. The specific language contained in Section 202(a)(3) of the 1947 Unification Act authorizing the Secretary of Defense to take steps to eliminate unnecessary duplication or overlapping in the fields of procurement, supply, transportation, storage, health, and research was omitted in the 1949 Amendments as it was argued such language was unnecessary in the light of the broadened authority proposed to be conferred generally on the Secretary of Defense. After the 1949 Amendments, the law merely presumed, without specifically stating, that the Secretary would take steps to eliminate unnecessary overlapping and duplication. The 1949 Amendments further clarified the role of the Munitions Board and its Chairman by establishing the Board more precisely as a staff arm of the Secretary of Defense. Some congressional elements, Bonner Overseas Report #1994, 82d Congress, 2d Session, have called the 1949 legislation compromising as indicated in the following comments:

> ...Nevertheless, the 1949 legislation again compromised between opposing concepts of proper organization in the military establishment. What was taken away with one hand was given back with the other. Although the departmental secretaries were deprived of cabinet rank, the separate status

of the departments was not only reaffirmed but reinforced in several particulars. As if to remove any doubts on the score, the amendments added to the declaration of policy of the original act the intent of congress to provide three military departments, separately administered.[10]

The National Security Act of 1947 was further amended on 2 April 1949 (P. L. 36, 81st Congress) by establishing the post of Under Secretary of Defense to assist the Secretary and "act for, and exercise the powers of the Secretary of Defense during his absence..."

From a legislative point of view, 1949 was a busy year with respect to statutes affecting the Department of Defense. The Federal Property and Administrative Services Act was passed and approved on 30 June 1949. This Act provided that the Administrator of General Services establish and maintain such uniform Federal supply catalog systems to identify and classify personal property under the control of all Federal agencies. This act further provided that the Secretary of Defense and the Administrator of General Services coordinate the catalog activities of the two agencies in order to avoid unnecessary duplication. Under this authority coordinating committees were established and areas of understanding were agreed to by the Secretary of Defense and the Administrator of General Services. Subsequently the Department of Defense attempted to withdraw from this arrangement. A resolution drafted and approved by the DOD, proposing to separate its cataloging program from all other departments and agencies of the Government, was rejected by the Congress. Thereafter, House Concurrent Resolution 97 was adopted, and placed the Congress on record as again approving the previously authorized developments of a single supply catalog system, and calling upon the affected agencies to expedite action on the program. The entire program was reappraised by the 82d Congress. Under the authority of Public Law 436, 82d Congress, a Defense Supply Management Agency was established

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[10]T. B. Curtiss, Member of Congress, Letter to Honorable C. E. Wilson, Secretary of Defense (Washington, D. C.: January 1955).

within the Department of Defense and authorized to develop "a single catalog system and related supply standardization program."[11]

Congressional Hearings and the O'Mahoney Amendment

As will be indicated in the next chapter much time consumming effort and many specific actions were taken in the Defense Department with respect to logistic coordination during the years 1947 to 1955. However, such actions were not sufficiently rapid or inclusive to satisfy many serious minded proponents of unification. Beginning in 1950, several committees of the House of Representatives began investigations designed to spotlight alleged weaknesses or undue slowness in effecting an integrated supply system throughout the Department of Defense. The general tenor of these hearings seemed to be based on an assumption that the statutes intended a sort of fourth service of supply rather than the separately administered armed services, each embracing its own service and support elements.

In the spring of 1951, the Intergovernment Relations Subcommittee of the House Committee on Expenditures in the Executive Departments, following up a subcommittee study of 1950, initiated a survey of the management of Federal supply with special emphasis on military supply management. After extensive hearings and field studies, the subcommittee issued several reports pointing out deficiencies in the management and operation of the supply and distribution systems. The Bonner Committee (House) in its report of June 27, 1951 stated "...unification from the standpoint of military supply, rests largely on paper." The information contained in the above reports, together with other data and observation of the committee members, was made available to the Appropriations

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[11] U.S., Congress, Senate, Senate Action on Hoover Commission Reports, Report of the Committee on Government Operations, (Washington: Government Printing Office, 1952), p. 45.

Committees of Congress. Based on this information, the O'Mahoney Amendment to the 1953 DOD Appropriations Act was passed as permanent legislation. This amendment had as its purpose the achievement of an efficient, economical and practical operation of an integrated supply system to meet the needs of the military departments without duplicating or overlapping of operations or functions. The Act prohibited any officer of the Department of Defense from obligating funds until the Secretary of Defense issued necessary regulations to achieve the purpose indicated above.

The O'Mahoney Amendment was a compromise inasmuch as Representative Bonner introduced a bill, H. R. 8130, on 9 June 1952 to provide for complete integration of supply and services activities. This bill received considerable Senate support. However, as the matter had not been considered by the Armed Services Committees, the O'Mahoney Amendment was tacked on the appropriations act and became permanent legislation under which the Department of Defense still operates.

Reorganization Plan Number Six

In the 1952 presidential campaign, candidate Eisenhower proclaimed, with reference to the Department of Defense, that "...Such unity as we have achieved is too much in form and too little in substance..." Further, he promised that the new administration would create a commission of the nation's most capable civilians to restudy the operations of the Department of Defense. The Rockefeller Commission was appointed for the above expressed purpose in early 1953, and based upon its findings and recommendations, Reorganization Plan No. 6 was submitted to Congress in 1953, and was subsequently approved as the law of the land.

The main provisions of Reorganization Plan Number Six relating to the

supply and logistic operations of the Department of Defense are included in the following testimony of the Deputy Secretary of Defense before the Committee on Government Operations, House of Representatives, 83d Congress:

> ...The Plan calls for abolition of the Munitions Board, the R. & D. Board, the Defense Supply Management Agency, and the Office of Director of Installations and vests their functions in the Secretary of Defense. At the same time, the Plan authorized the appointment of new assistant secretaries of Defense to whom the Secretary of Defense intends to assign the duties now vested in the agencies to be abolished and certain other functions now assigned to other officials. ...the reorganization plan provides for six additional assistant secretaries...[12]
>
> ...As to the Munitions Board, we have found the Board system and the committee structure which has resulted therefrom to be too cumbersome.... to satisfactorily manage the supply and logistic responsibilities of the Department of Defense....We expect him (Asst. SecDef S & L) to work in areas of production planning, production, procurement, distribution, and traffic and transportation.
> Concurrently, we propose to delegate back to the services those operational matters which have become the duty of the Munitions Board over the past few years and we hope thereby to convert this unit into a leadership group which will recommend policy and see that it is carried out in important matters of supply and logistics....The Assistant Secretary for Supply and Logistics will be assigned the responsibility of recommending modernization of the entire system of supply...[13]

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[12] U.S., Congress, House, Reorganization Plan No. 6, Hearing Before Committee on Government Operations, 83d Congress (Washington: Government Printing Office, 1953)p. 4.

[13] Ibid., p. 11.

CHAPTER III

SPECIFIC ACTIONS AND PROGRAMS IN DEFENSE

In the previous chapter, the legislative acts passed to achieve better coordination in the Defense Department with respect to the supply and services fields have been highlighted. It is the purpose of this chapter to delve into specific actions taken by the Defense Department.

General and Policy

The area of supply and services was and is a most logical point of attack in the problem of coordination, elimination of duplication, and overlapping, etc. Small measures of coordination existed between the services at the time of unification in 1947, primarily in the area of single service purchase. As will be enumerated hereafter, the Munitions Board became the sparkplug and arm of the Secretary of Defense in his efforts to coordinate the three services. This coordination reflected itself in the areas of uniform cataloging, single service purchase assignments, joint purchasing assignments, and cross-servicing.

1949 Policy Memorandum and 1951 Restatement

A Secretary of Defense Memorandum dated 17 November 1949 established basic policy for the development of the Department of Defense Supply System and assigned responsibility to the Munitions Board for developing the system. This memorandum was amplified and clarified by a SecDef Memorandum dated 17 July 1951. Certain portions of the last referenced directive are quoted herein as it

SECTION III

OPTIONS AVAILABLE FOR CONSIDERATION BY GOVERNMENT

In the previous chapter, the Inventory has revealed to existing control mechanisms in the Defence Department which appear to fit simply the previous Table even been highlighted. It is the purpose of this section to define some possible options taken by the Defence Department.

Support and Advice

The area of supply has problems not just in a most Defence Department in the provision of accountants, statisticians, statisticians, and economists, etc. Such services of specialists which optimize the services of the kind of information is not, generally, in the case of public service. As well as personnel shortage, the existing Defence Department is also one of the necessary to defence in its efforts to accomplish the above services. This specialization without direct in the areas of science, statistics, which work, perhaps particularly, also accountancy, data processing, and cost-benefit.

Data Bank Operation and Cost Management

A department of Defence Economic Bank of Operation and statistical data bank which for the establishment of the development of Defence Supply System and assigned responsibility to the Statistics Bank for investigating the system. The information was analysed and distributed by a Senior Economist Bank in this Department. Analysis problems of the Year referenced Economics are quoted results as a

reflects the enunciated policy of the Secretary of Defense concerning the Department of Defense Supply System:

> ...the basic policies of the DOD which shall govern the development and operation of the supply systems of the 3 military departments are:
>
> a). Each of the military departments shall operate and maintain a supply system and shall be responsible for the supply support of its own forces, except when such support is otherwise provided by specific agreements or assignments at force, theater, military department or DOD level.
> b). The supply systems developed shall be such that the combat efficiency of the armed services as a whole is the most effective which can be obtained within the limits of available personnel, funds, materiel, and legislative authority, and the procedures and methods of operation for the system of supply practicable for war will govern techniques used in time of peace.
> c). Uniform policies, standards, and procedures shall be developed to the extent necessary and feasible to effectively coordinate military-supply operations in order to maintain or increase effective support of military operations and prevent unnecessary duplication or overlapping among the services, and to insure the maximum conservation and utilization of materiel and manpower resources.
> d). Cross, joint or common servicing...shall be effected whenever such action will result in maintaining or increasing the effectiveness of support of military operations and will also eliminate unnecessary overlapping and duplication among the services.
> e). Single procurement in the form of single department, joint agency, or plant cognizance shall be effected whenever such actions will effectively support...and will result in the elimination of unnecessary overlapping and duplication of manpower, facilities, and operations in the procurement field.
>
> ...To the extent feasible and not already accomplished within each military department responsibility for procurement and distribution of common classes of supply, including technical items shall be assigned to a single (but not necessarily the same) technical service, bureau, or command.
>
> Priority study shall be given to the feasibility of assigning to a single military department the responsibility for procurement, distribution, including depot storage and issue for classes of common items of supply and equipment, and depot maintenance of such equipment. Medical supply items shall be the first category to be studied.
>
> ...The Munitions Board shall have primary responsibility for initiating, coordinating, interpreting and establishing priority for all actions required by or in collaboration with the military departments to implement the basic policies set forth above....[14]

While setting forth certain definite areas of coordination, it is significant to note that the policy directive emphasizes that each military department

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[14]Department of Defense, "Basic Policies Governing the Department of Defense Supply System," 17 July 1951.

will operate and maintain its own supply system. For the first time, the single manager assignment plan, the 1956 Defense Department Policy, is recognized, although 5 years were required for its fruition as will be indicated in chapter IV.

1952 Policy Directive and Congressional Reaction

As previously indicated in chapter II, the O'Mahoney Amendment, Section 638 of the Department of Defense Appropriation Act of 1953, required positive action by the Secretary of Defense to integrate supply and services activities among the three services. Department of Defense Directive Number 4000.8 dated 17 November 1952 contained the Basic Regulations for the Military Supply System and covered the areas of procurement, commercial and industrial-type facilities, distribution system, cataloging and standardization, conservation, utilization and disposal, transportation and traffic management, production, personnel and training, requirements review, and supply system expansion. This directive constituted initial compliance with the provisions of the O'Mahoney Amendment. Few new areas were covered; however, it constituted the first comprehensive statement of policy issued in a formal directive manner. The more important elements of the policy directive referred to are quoted for emphasis:

> ...Within each military service there shall be established and maintained but one single supply and inventory control point for each specified category of items...Integrated supply support for common-use standard stock items will be developed. In areas within the United States and overseas, supply support will be accomplished by single service assignment in which one department will support all others...[15]

Within six months after the passage of the O'Mahoney Amendment and promulgation of the above referenced DOD directive, the House Committee on Government Operations was holding hearings on Military Supply Management, and in July

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[15]Department of Defense, "Basic Regulations for the Military Supply System," 17 November 1952.

will assume our economic life may supply power. For the future then, the state
[illegible] management plans, the U.S. Bureau Government Policy, is [illegible]
[illegible] of water user received for the [illegible] is will be [illegible] to [illegible]
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[illegible] Functions and Responsibilities

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1953 concluded:

> ...that progress in the improvement of the military management is distinguished by an inordinate slowness. ...It has heard the promises that before another year passes, things will be under control. The printed hearings of congressional investigations are fraught with testimony of this kind. This has been equally true of testimony before the Bonner subcommittee... The one constant in this great amount of activity is the uniformed forces, each dedicated to the preservation of its own systems and procedures....A blind loyalty to the "separately administered" theory as applied to the business phases of military operations, however, can be costly and wasteful....[16]

1953 Policy Guidance by the Assistant Secretary of Defense (Supply & Logistics)

Later in 1953, the Assistant Secretary of Defense (Supply and Logistics), in furnishing policy guidance to an AdHoc Committee on Supply Systems for common-use items, stated:

> The experience of the military departments indicates that in order to reduce supply problems to manageable proportion, emphasis at this time would be more advantageously directed toward greater efficiency within individual departmental supply systems and supply management functions...effective and economical cross-servicing...and the closest practicable coordination of the departmental supply systems....Future supply studies will not be confined to a review and analysis of a category of materiel, but will be directed toward the accomplishment of the foregoing principles on the basis of placing first things first....
> There is no present, or intended, or desired, plan for the establishment by direction or indirection of a Fourth Department of Supply or to divide commodity segments among departments.[17]

The policy guidance letter further indicates the areas of analysis and improvements for the supply systems to embrace: financing and accounting procedures necessary for cross-servicing, reductions in inventory volumes and transportation costs, spelled-out inter-service and cross-servicing agreements with particular attention directed to responsiveness of supply systems to command.

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[16]U.S., Congress, House, Committee on Government Operations, Military Supply Management, Union Calendar No. 291, Report 857, 83d Congress (Washington: Government Printing Office, July 1953), p. 3.

[17]Assistant Secretary of Defense (Supply & Logistics) letter, subject: Policy Guidance for AdHoc Committee on Supply Systems for Common-use Items, dated 13 November 1953.

The above policy guidelines seem to support the objectives contained in the policy directive number 4000.8 previously referenced; at the same time emphasis is given to improving the existing supply systems and supply management procedures and techniques of the three services. This approach is, of course, the same type of action condemned by the House Committee on Government Operations in July 1953, previously quoted in this chapter. This approach seemed to have prevailed well into 1955, at which time the Hoover Commission Reports influenced serious consideration of a fourth service of supply or various alternatives which will be examined more fully in chapter IV.

It is considered proper to now consider some of the various detailed procedures and devices utilized to achieve coordination of supply and service activities within the framework of the above referenced policy directives. These efforts were divided into the following categories: uniform cataloging, single service purchase assignments, joint agency purchase, and cross-servicing.

Uniform Cataloging

Historically, the lack of adequate identification and cataloging of supply items has been a weak link in the chain of procurement, warehousing, distribution, and issue of supplies and materials. Adequate identification can provide the common language tools which aid in the elimination of duplicating items in supply systems, facilitate cross-servicing, establish interchangeability between items, and facilitate inventory control and distribution. World War II procurement programs and supply problems revealed the inadequacy of the then existing stock catalogs. Immediately thereafter each of the military services developed its own system of controlling its stock identification and purchase.

In 1945, the President recognized the economic waste of uncoordinated procurement of goods and equipment for government. He instructed the Bureau of

the Budget to develop a standard Federal catalog for use by all government agencies. For the next 5 years the operating responsibility for this assignment was shifted from one agency to another. Funds allocated to finance the project were inadequate.

In 1947 the Army-Navy Munitions Board established the Army-Navy Munitions Board Cataloging Agency with the following functions, among others: to ascertain the areas in which joint Army-Navy cataloging operations were practicable; and to coordinate Army-Navy cataloging operations with the Federal Cataloging System. This effort was continued after the Unification Act, and its program was established for accomplishment within four years--target completion date June 30, 1952.[18] The magnitude of such a program can be more realistically appreciated when it is estimated that as many as 5,000,000 items had to be uniformly identified, weeded out, and catalogued. The objective of the program was aptly described in a Memorandum of Secretary Forrestal under date of May 12, 1948:

> The ultimate objective will be to name, describe, classify, and number each unique item used, purchased, stocked, or distributed by the Military Establishment, by such methods and in such manner that only one distinct selection of letters and numerals will identify the same item within a bureau or service, or between bureaus or services or between the departments. The single item characterization will then be used for all functions of supply from original purchase to final field or area distribution....each supply system of the services will select for its own purposes, and publish..., but individual items will bear the same characterization in every catalog segment thus prepared and used.[19]

Beginning in 1948, the Munitions Board Cataloging Agency had representation of the Bureau of Federal Supply and other civil agencies. Recognizing the importance of the cataloging program, the 1949 Hoover Commission recommended a declaration of congressional policy to insure participation and cooperation of the military and civil agencies. Pursuant to this recommendation, Public Law 152

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[18] A. P. Bolieau, "A Comptroller's Appraisal of the Federal Cataloging Program" (Unpublished MBA Thesis, George Washington University, January 1954), pp. 14, 16.

[19] Ibid, p. 17.

was passed on July 1, 1949 setting up the General Services Administration and authorizing the Administrator to "establish and maintain such uniform Federal supply catalog system...: provided, that the Administrator and the Secretary of Defense shall coordinate the cataloging activities of the GSA and the National Military Establishment so as to avoid unnecessary duplication."[20]

The necessity for expediting the development of a single catalog was emphasized with the passage of House Concurrent Resolution 97 which stated in part: "...that the development of a single supply catalog system for all agencies of the Federal Government, both civilian and military, is of vital necessity to the national security and the civilian economy..."[21] In accordance with the obligations imposed by P. L. 152 and House Concurrent Resolution 97, the Munitions Board Cataloging Agency and the Federal Supply Service of the GSA concurred in an area of agreement in which the GSA delegated to the Secretary of Defense full authority to develop a Federal Catalog System suitable for interdepartmental supply activities and government-industry relationships. Thus, after nearly 6 years of organizational effort and growing pains, an agreement was reached between the military, that had an 85% interest in the program, and the civil agency delegated the responsibility by law for the program.

Public Law 432

As any realists would surmise, the four-year target date (1952) for completion of the cataloging program was not realized. Congress was, of course, dissatisfied with the progress, and passed in July 1952 the Defense Cataloging and Standardization Act, P. L. 432 "to provide for an economical, efficient, and effective supply management organization within the Department of Defense through the establishment of a single supply cataloging system, the standardization of

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[20] Ibid., p. 19.

[21] Ibid., p. 20.

supplies and the more efficient use of supply testing, inspection, packaging, and acceptance facilities and service." The act gave impetus and formalized by statute the program then in existence in Defense, made the Secretary of Defense solely responsible for the cataloging and standardization program in Defense subject to the proviso of coordination with the GSA to avoid unnecessary duplication, and directed the transmission to Congress of two progress reports annually on each of the cataloging and standardization programs.[22]

Accomplishments and Outlook

Pursuant to Department of Defense Reorganization Plan Number Six, the Agency created by Public Law 432 was abolished, and the Standardization and Cataloging Programs became a specific responsibility of the Assistant Secretary of Defense (Supply and Logistics). Progress in the standardization and cataloging programs is indicated in the following testimony of the Assistant Secretary of Defense (Supply and Logistics) before the House Subcommittee on Appropriations which was considering the Department of Defense Appropriations for 1956:

> ...As of December 31, 1954, a total of 1,230,000 items had been identified in the Federal catalog system. This is approximately 55% of the present estimated total of 2,250,000 items in the supply system.
> ...Since the establishment of the schedule (identification by commodity area) in April 1954, approximately 60,000 items per month have been identified, and there is every expectation that all identification work will be completed as scheduled by September 1956.
> ...Although 180,000 items have already been eliminated from supply systems through standardization, the surface has hardly been scratched...[23]

Further evidence of progress is contained in testimony of Department of Defense officials given in 1955 before the House Committee on Government Operations.

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[22]U.S., Congress, "Defense Cataloging and Standardization Act, Public Law 436 - 82d Congress," 1 July 1952 (Washington: Government Printing Office, July 1952).

[23]U.S., Congress, House, Subcommittee of the Committee on Appropriations, Hearings on Department of Defense Appropriations for 1956 (Washington: Government Printing Office, 1955), pp. 436, 437.

This testimony contained an expectation that the military services will replace its own separate catalogs with the Federal catalog by the end of 1958.

The use of a Federal catalog is contingent upon all items in the supply systems having been identified, cross-referenced, retagged, restored in many cases, and all supply management records converted to the new system. The amount of detail and effort involved is difficult to comprehend; but, even to the unacquainted, it is apparent that a tremendous job will have been accomplished. Even the 1955 Hoover Commission Reports contain a few words of praise:

> The Commission commends the Department of Defense and the GSA for their current efforts in carrying forward the work of establishing the Federal Catalog System. We agree with the task force that the catalog program must be closely supervised by the Secretary of Defense to assure its completion and effective use at an early date.[24]

Single Service or Joint Procurement Assignments

General

Even before the Unification Act of 1947, there had been some areas of agreement on single service procurement; i.e. canned foods and bulk lumber. The procurement assignment area was therefore the most logical point of attack to which the Munitions Board gave attention following the passage of the 1947 Unification Act. The single procurement assignments were made according to one of the following designations of responsibility:

1. Procurement within the Department of Defense:
   a. Single department procurement whereby one department procures supplies to satisfy the requirements of all the military departments.
   b. Plant cognizance procurement, whereby one department procures items from a particular plant to satisfy the requirements of all the military departments. This type of single procurement is limited to airframes, aircraft engines, and propellers.
   c. Joint procurement, whereby a jointly staffed and financed activity procures supplies to satisfy the requirements of all military departments.

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[24] U.S., Congress, House Document No. 141, The Report on Use and Disposal of Federal Surplus Property, Pursuant to P. L. 108, 83d Congress (Washington: Government Printing Office, April 1955).

2. Interagency Procurement:
Under this arrangement the General Services Administration has been designated by DOD-GSA agreements to purchase certain specified common use items for all three military departments.

Over the years procurement assignments have been made for several hundred items in 45 commodity areas. The latest revision (1955) deleted certain obvious items; i.e. aircraft carriers, etc. which served no useful purpose as only one service would ever use and procure such an item. The single service procurement method involves the forwarding of requisitions (requirements) by one service or components thereof to a designated procurement point in another service. The requiring service cites the appropriate funds to support the transaction. The designated procurement agency processes the order by making contracts, or negotiating as the case may be, with commercial suppliers. The procurement agency has no responsibility for checking the validity of or coordinating requirements, but merely serves as central liaison and contact point between the requiring agency and the supplier.

The extent of single service procurement is available in FY 1954 statistics. Of $5.4 billion made for procurement in 35 commodity classifications $1.9 billion represented purchases of one service for another. The effectiveness of single service procurement as such is probably subject to a great deal of debate. A House Subcommittee in hearings on expenditures in the executive departments made the following recommendations in 1951:

> ...Greater use should be made of single-purchase assignments....There should also be maximum effort in the form of joint and pooled operations with respect to all aspects of supply management.

A somewhat contradictory recommendation is contained in a Study on Single Service Procurement of Paint made by the Harvard Graduate School of Business, which concluded in August 1951:

> We believe that if assignment of responsibility for requirements and stock control, as well as of procurement, to a single department does not prove feasible or desireable...that the responsibility for procurement of paint

should be returned to the individual services because:

(1) Our study has indicated that no major benefits or significant economies are inherent in single department procurement.

(2) Under individual service procurement it is easier to fix responsibility for effective overall procurement and to get close working relationships between personnel in the successive steps in the procurement process. Such conditions appear to us to be essential for the achievement of the major savings stemming from good procurement planning and prevention of overbuying.[25]

The 1955 Hoover Commission Reports contain the following comment on the basic limitations of coordinated procurement:

> Planning of requirements is not coordinated and the purchasing service is not informed of the inventories and usage rates of the requiring service. Thus the purchasing service cannot evaluate procurement requests or take steps to redistribute excess stocks. Also, coordinated buying does not achieve integration of storage and distribution, where glaring instances of duplication have been noted.

It is considered of more than passing interest to examine briefly some of the joint agencies set up to carry out the procurement assignment for a few of the commodity areas covered by single procurement assignments. There have been three such agencies set up to effect joint procurement: The Armed Services Petroleum Purchasing Agency (ASPPA), the Armed Services Medical-Dental Purchasing Agency (ASMDPA), and the Armed Services Textile Procurement Agency (ASTPA). A brief discussion of each of these agencies follow.

ASPPA

The ASPPA was originally set up by the Secretary of Defense under a charter dated 14 February 1948, revised 7 October 1955. The purpose of the agency was and is the achievement of optimum effectiveness and economy in all aspects of the purchase and distribution of petroleum and related items for the Armed Services and to provide information and data thereon to interested agencies of the Department of Defense. The agency was set up as a joint agency of

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[25] U.S., Congress, Federal Supply Management, Hearings before a Subcommittee of the Committee on Expenditures in the Executive Departments, House of Representatives, 82d Congress (Washington: Government Printing Office, February 1952).

the three military departments. Policy guidance is furnished by the Secretary of Defense. The agency is under the supervision and control of that military department Secretary designated by the Secretary of Defense--currently the Secretary of the Navy. The actual operation of the agency is performed by an agency staff, headed by a director, under the guidance and general supervision of the directorate, consisting of three members: The Quartermaster General, U. S. Army; the Chief, BuSandA, U. S. Navy; and the Director, Supply and Services, U. S. Air Force. The responsibilities of the agency include: collate total procurement requirements, implement detailed procurement operating instructions, purchase commercial petroleum services required, administer contracts, coordinate item specification and standardization, provide guidance for inspection, coordinate tanker requirements, and coordinate cross-servicing agreements.

To indicate a specific area in which the Agency has prescribed economy procedures, attention is invited to DOD Directive 4155.2 dated 4 November 1954. This directive assigned each military department responsibility for procurement inspection and associated administrative functions for all petroleum products within the geographical areas designated, thereby reducing duplicating overhead facilities or services. It is believed that the agency has made and continues to make a significant contribution. The need for one DOD agency to coordinate the total military requirements and the contracts therefor with the oil industry is easy to comprehend. In searching the record, the writer was unable to locate any negative evidence or criticism of the agency or its operations.

ASMDPA

The Armed Services Medical Procurement Agency was originally authorized by a SecDef Charter dated 29 June 1949, and was reconstituted by DOD Directive 5154.10 dated 23 August 1954. The purpose of the Agency is to provide the most

effective and economical means of effecting coordinated procurement (including promotion of the optimum degree of standardization) of medicines, and medical items required by the Department of Defense for support of the armed forces. The operation of the Agency is guided by a Directorate with a Chief of Agency Staff designated by the Directorate responsible for the day-to-day operations and administration of the Agency. The functions of the Agency are many and detailed, and, in addition to central purchase and contract administration, collating total requirements, implementing operating instructions, and routine internal administration, include the following major areas of activity:

1. Arrange for the coordinated inspection and laboratory testing of medical items.
2. Execute patent license agreements.
3. Formulate plans for industrial mobilization including facilities allocation.
4. Catalog medical items including the publication of standard catalog prices.
5. Provide military specifications and standards for medical items.
6. Perform developmental engineering for medical items.
7. Prepare reports and recommendations required by each military department and the Office of the Secretary of Defense.

Departmental functions, such as legal clearances, etc. required by statute for a procurement agency as well as administrative support, are performed by the Department of the Army by DOD designation.[26]

So far as the writer was able to determine, the work of the ASMDPA has been highly successful. This commodity area received easy coordination emphasis; and in the areas of standardization, cataloging, and central procurement, it is commonplace knowledge that rapid and effective progress was made. However, the same situation has not prevailed with reference to other phases of medical supply management. The Bonner Subcommittee Report of June 27, 1951, commented adversely on the distribution phase of medical supply management and

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[26]Department of Defense, "Armed Services Medicine Procurement Agency," DOD Directive Number 5154.10 dated 23 June 1954, pp. 4-5.

the use of doctors, commissioned as medical officers, in supply administration. The Subcommittee recommended and commented:

> ...pending the development of a fully integrated medical supply system for the Department of Defense, all medical supply functions in the Department of the Navy should be transferred to the Bureau of Supplies and Accounts, and that in the Army a similar transfer should be made to the Quartermaster Corps.
>
> On November 22, 1950 the Secretary of Defense had already issued 13 policy statements governing medical supply operations. Policy statement No. 11 directed the integration of the medical supply distribution system with the departmental distribution system employed for all other material...[27]

As a result of congressional criticism, a Medical Supply Support Test, encompassing the supply areas of depot procurement, distribution, and depot maintenance was initiated by DOD 4100.5 of December 29, 1951. The setting of this experiment was the Sixth Army Area, and involved central distribution, and local procurement as necessary, of medical items used by all components of the Armed Forces in the Pacific Area. The test became known as the "Alameda Test," and was disestablished by DOD Directive 54-128 dated November 19, 1954. The Navy regarded the test as "one step nearer a single supply service" and strongly opposed it as a "backdoor route" to such a service. The hearings before a Subcommittee of the House Committee on Governmental Operations (the Rhiehlman Subcommittee) 83d Congress contain the following committee appraisal: "Our study of the entire Alameda Test leads us to the conclusion that this uniformed operation has been abundantly successful, efficient, and economical." The position of the Department of Defense is contained in the quoted testimony (December 1952) of a departmental spokesman before a congressional subcommittee:

> In the opinion of the Department of Defense, the recent test conducted at the Alameda Medical Center was a success and has demonstrated the feasibility of assigning to a single military department the responsibility for local procurement, distribution, and maintenance of medical supplies and equipment in the West Coast Area. The test did not prove or disprove the feasibility of a Nationwide single service distribution assignment.

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[27]U.S., Congress, Department of the Navy Appropriations for 1953, Hearings before a Subcommittee of the Committee on Appropriations of the House of Representatives, 82d Congress, Second Session (Washington: Government Printing Office, 1952), p. 36.

The Alameda Test was a part of the over-all study of medical and dental supply systems which is now under way and which is expected to be finalized shortly. The final decision will be based on the findings with respect to the Alameda Test and other important considerations.

The provisions with respect to the Secretary of Defense Directive of July 17, 1951, which provides in para. 5(c) thereof that priority study shall be given to the feasibility of assigning to a single military department responsibility for procurement and distribution, including depot storage and issue for classes, common items of supply and equipment and depot maintenance of such equipment, as well as previous testimony given on this subject by departmental representatives, are not believed to imply anything more than that the feasibility of single service distribution will be determined. While such a single service distribution assignment may turn out to be "feasible" no determination has been made and, as indicated in my testimony, it is quite possible that the decision will be adverse to such an assignment.

A military supply system must be geared to meet wartime demands. Whether a single service can adequately distribute medical supplies to all services in wartime is probably the most critical question to be resolved. Whether a single service distribution assignment will permit the most economical use of trained personnel is another serious question. The final decision will be reached only after the most careful evaluation of all the factors involved.[28]

ASTPA

The Armed Service Textile Procurement Agency (ASTPA) was established by DOD Directive 5154.4 dated June 18, 1952 as a joint purchasing agent under the administrative control of the Army. The purpose of the agency generally conformed to that indicated in the earlier presentations on ASPPA and ASMDPA. From the outset, the agency seemed to have been on the wrong side of fate, as its activities were terminated 13 months after its establishment by direction of a rider on the 1954 DOD Appropriations Act. This was done because the Navy maintained that participation in the Agency would double its administrative cost for that particular procurement activity. The effectiveness of the Agency is further indicated by a specific example, which was related to the writer by CDR. J. C. Burrill, the Assistant Officer-in-charge, Navy Purchasing Office, New York at the time. A requisition for a number of national flags of certain South

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[28] Ibid., p. 121.

American countries was passed by NPO, New York to ASTPA. The routines followed by the ASTPA including the passing of the requisition to the QMG, U. S. Army for clearance to purchase on the open market without formal advertising and contract took over 2½ months. As the flags were required by the Navy for use in urgent goodwill visits, Cdr. Burrill finally succeeded in getting a go ahead authority to effect local purchase by the Navy, which was consummated in two weeks. The impression was gained in this conversation that the Army is a great organization for recommending and obtaining for itself more than a proportionate share of such coordinated ventures. However, the Navy is seldom allowed to present criticisms of another service where the requirements of additional staffing and red tape, frequently found in newly formed coordinating organizations, run counter to its more conservative experience--better and more economical results.

Long after the disestablishment of ASTPA, evidence of fraud and bribery was discovered and aired by the Senate Committee on Government Operations:

> In hearings recently held by the subcommittee more than mere waste and inefficiency were developed. The subcommittee was confronted with graft and corruption....evidence...showing that unscrupulous contractors had bribed and connived with both civilian employees and armed services officers attached to ASTPA to improperly favor contractors in the award and administration of contracts. Evidence before the subcommittee clearly demonstrated that inspection service personnel had likewise been corrupted to permit thousands of defective caps to be delivered to Navy....[29]

Interservice Supply Support

Interservice Supply Support involves action by one military service or agency to provide supplies and related services to another military service or agency, and concerns general areas not covered by single service or joint

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[29]U.S., Congress, 84th Congress, 2d Session, Textile Procurement in the Services - Report of the Committee on Government Operations, Senate Report No. 1380 (Washington: Government Printing Office, 1956), pp. 1, 2, 12.

purchase assignments or single manager operations to be described later. Surveys and feasibility tests with respect to joint utilization of facilities have been carried on quite constantly since the 1947 Unification Act with few visible results. Likewise efforts at supply cross-servicing at local levels have made insignificant strides, except in some special commodity areas at overseas locations. Past performance has largely reflected a fragmentary approach, where at best arrangements of expediency, dependent on cooperation among three independent supply systems within specific geographic areas, have prevailed.

On July 5, 1955, the Department of Defense issued Directive Number 4140.6 on the subject of Interservice Supply Support to insure that "all material is used to the maximum by the military services, thereby improving the positioning of stocks, balancing inventories, and reducing back-hauling and cross-hauling of material within the military supply systems." On 30 December 1955 the military heads of the military services promulgated a joint agreement to provide uniform direction for coordinated action among the military services in consonance with DOD Directive 4140.6, referred to above. Up to this writing there were no reports or statistics to indicate the degree of or success with implementation of the program. CDR. Holt, a representative of the Office of the Assistant Secretary of Defense concerned with the program, indicated to the writer that a great deal of enthusiasm has been generated, and that concrete and economical results are expected. CDR. Holt further indicated that the Office of Assistant Secretary of Defense (Supply and Logistics) would ride herd on the program and keep it alive, an ingredient lacking in the earlier cross-servicing programs.

CHAPTER IV

RECENT DEVELOPMENTS--INCLUDING THE SINGLE MANAGER PLAN

1955 Hoover Commission Report

The most recent external pressure put forth to achieve results in integrating the Department of Defense Supply Systems, is found in the 1955 Hoover Commission Report. The task force report on food contains the following comments:

> Our task force states that there is little more semblance of unification in the supply of food and clothing than before the National Security Acts and the O'Mahoney rider were passed...
>
> From the overall Department of Defense standpoint, overlapping, duplication, and double handling is clearly evident. The task force found such situations as the Army renting commercial cold storage space in an area where the Navy is not fully utilizing government-owned space....The Navy has large proportions of 1951 and earlier packs of subsistence items in their system while other services are buying current packs of these items. It was impossible to cross-service these items as the Navy had no centralized knowledge of these inventories by pack....At the Navy Depot level, there was a comingling of all packs and no observance of the rule, first-in, first out. The fundamental weakness is traceable to the present organization in which there is a complete absence of teamwork between purchasing and stock management functions with the result that the right hand does not know what the left hand is doing....
> The purchase of canned tomatoes is one of the best examples of the need for unified procurement. The task force pointed out that in 1951 the Army shipped from California to New York 807,000 pounds of tomatoes. During the same period the Navy shipped 775,000 pounds from the east coast to California....The task force suggests that the Quartermaster General of the Army, or a central food agency patterned after that organization, be assigned responsibility for performing all the major functions necessary not only for the acquisition but also for the storage and distribution of food for the armed services....[30]

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[30]U.S., Congress, 84th Congress, Food and Clothing in the Government, House Document No. 146 containing reprint of 1955 Hoover Commission Report on Food and Clothing, (Washington: Government Printing Office, 1955), pp.4,32,33.

In approaching the subject of supply integration in the Department of Defense, the 1955 Hoover Commission considered coordinated procurement, cross-servicing, and integrated supply systems--single manager assignment. Coordinated procurement and cross-servicing were rejected because they were fragmentary in nature and limited in their application to the whole problem of integration. The single department integrated system was believed the best of the three, but had the following basic limitations:

a. Resistance on the part of the military departments to collaborate.
b. Difficulty of assuring equitable treatment, particularly under mobilization conditions.
c. Difficulty of eliminating duplicate staffs, facilities and distribution systems.
d. Period of time required to develop and install uniform requisitioning, purchasing, accounting, and inventory control procedures, a major deterrent.

On the basis of the types of limitations indicated above, the Commission made the following overall comments and recommendations:

> ...The highest degree of integration would result from the creation of a separate agency, within the framework of the Department of Defense, to serve all departments equally in purchasing, inventory control and distribution to the end of the wholesale pipeline.
> ...Congress should enact legislation establishing a separate civilian managed agency, reporting to the Secretary of Defense, to administer common supply and service activities....A separate agency would be expected to assume supply responsibilities only for commercial-type items and services...
>
> It is recommended that the proposed agency be known as the Defense Supply and Service Administration....Its head should be known as the Administrator, and he should be a presidential appointee. The staff of the Administrator should be composed of career trained support specialists, including a principal career assistant....Initially, the agency should manage selected items of common supply, and operate general and specialized hospitals.[31]

To one intimately acquainted with the tremendous size of each of the military services and with the advantages of a service-wide integrated supply management system geared to the readiness of forces in being, the soundness of

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[31]Commission on Organization of the Executive Branch of the Government, op. cit., p. 43.

the Hoover Commission recommendation for a separate civilian managed and manned fourth service of supply is difficult to comprehend. The following factors support the above opinion:

a. It would be necessary for each military department to continue to operate activities and maintain staffs for: collection and analysis of usage data, translating equipment plans and schedules into projected gross requirements for both "common" and "uncommon" supply items, continuing liaison among operating, engineering and supply personnel to develop item requirements, developing projected expenditure budgets for supply items, furnishing projected gross requirements to the central agency, and manning and managing its retail supply distribution operations to serve the fleet and stations beyond the "wholesale" end of the distribution line.

b. The translation of requirements to a central agency would increase leadtimes significantly.

c. The individual Secretary would lose control over support functions which are elements of readiness.

d. With respect to restricting military supply management personnel to "tactical" activities, it is essential that there be full knowledge, understanding, and appreciation of both the consumer problems and the business problems at all echelons of the support system if that system is to meet end requirements economically. The removal of aspiration to high management positions would seriously discourage the attraction of junior officers to man the so-called "tactical" or "combat-related" billets, in contrast to the "career trained support specialists" recommended for managing the wholesale distribution depots, etc. by the Hoover Commission.

e. In emphasizing career civilians for operating management positions, the report seems to confuse top policy civilian control of a military service with the need for military managers at operating levels who possess qualifications in both business administration and operational knowledge.

f. The separation of prime logistical functions--procurement and distribution by a central service of supply, determination of requirements by each military department--would divide responsibility for performance, which is definitely not an accepted business principle. Under a division of prime functions, there follows the need for numerous liaison personnel and committees to provide the coordination previously provided by line authority within an organization.

Recent Congressional Tones

In May 1955, a Subcommittee of the House Committee on Government Operations held hearings on the Food and Clothing Report made by the 1955 Hoover

Commission in which various and sundry facets of the entire supply integration movement were discussed and testimony received from representatives of the Office of Assistant Secretary of Defense and of the military departments. Much of this testimony related to elements of minutia and to extreme examples, such as the alleged 60-year supply of hamburgers in the Navy, which provided headlines for the consumption of congressional constituents. Much of the testimony was relevant to the overall supply integration effort. Illustrative of the straight forward approach used in the hearings is to be found in the comments of Congressman Curtis:

> ...I have just one or two general questions to ask Mr. Pike (AsstSecDef). First of all it somewhat alarms me to hear you say that you are making studies in regard to...the possibility of a common system of distribution of these common-used items, food and subsistence...and I have in front of me the hearings of our subcommittee back in June and July 1952, and at that time that was the answer given, that studies were to be made....We have been over this thing backwards and forwards--that is the congressional committees--and yet we always come up with the answer that nothing is being done, but studies are being made--I am referring particularly to distribution....Mr. Pike, perhaps I can best express it this way. If you agree, the policy has been set by Congress, by law, the Military's decision is only one of how to do it and not whether to do it. And yet so many of these studies always come back to a question of whether you should be doing it....[32]

Mr. Pike's comments on the subject of integrated distribution follow:

> As I say this whole subject, particularly when you get into the distribution of it is a very complex one. I personally don't see my way clear yet as to how to do this in all of the common-use items. I do see possibility for substantial improvement in these other supply operations as they have mentioned that precede procurement, and I think may be the most important job that we can do is to refine our requirements computations plus better inventory control and management, because if you don't have sound inventory knowledge, it is a cinch that your procurement is going to be wrong. It is going to be too much or too little.[33]

The following quoted testimony relates to the relationship of an AsstSecDef to a counterpart in the military services:

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[32]U.S., Congress, Hearings Before a Subcommittee of the Committee on Government Operations, House of Representatives 84th Congress (Washington: Government Printing Office, May 1955), pp. 60, 61.

[33]Ibid., p. 62.

Mr. Brownson. What are your relationships to the Assistant Secretaries of the different services? Can you go to the Assistant Secretary for procurement for the Navy and say, "My dear sir, you have hamburgers coming out of your ears, please don't buy any more."

Mr. Pike. I don't have the authority to do that directly. However, if a study of a single item like that was indicated, I have relationships with that individual that would enable me in a friendly manner to suggest that something should be done about it.

Mr. Brownson. If he didn't do anything, isn't there actually any action you could take?

Mr. Pike. If it was important enough I would carry the matter to Mr. Wilson and Mr. Wilson has all the authority that is necessary.

Mr. Brownson. That is the same question that I asked some 3 years ago with the Bonner subcommittee and I got the same answer, that the whole control is advisory.

What worries me is this. On the Hill we are inclined to debate defense as if $31 billion worth of defense bought you more defense than $30 billion worth, and as if that automatically bought you more than $29 billion worth. But actually, we get to where actual authority is exercised by the Department of Defense over the Air Force, the Army, and the Navy, we don't really know whether the actual billion dollars we appropriate will be spent for hamburgers or special services equipment, or whether it is actually a contribution to the muscles of the fighting forces.

Do you feel the Secretary of Defense has all the authority he needs to enforce supply discipline over the three subordinate services?

Mr. Pike. In my opinion there is no question about it.[34]

In the same hearings, the statements of the Secretary of the Navy Thomas, a former AsstSecDef(S&L), seem to express a pertinent point of view of a substantial member of the defense team:

> I again want to say it (identification and cataloging) is far from completed but the program is there, it is being worked out, and we have good people working very hard to accomplish it.
> There is a great deal being done in cross-servicing.
> Now, cross-servicing, in my opinion--and I give it to you as my opinion--is the best way to operate these services because they are big, they have to expand in war, and they have to be prepared to expand in war. If we can have good individual services, well operated, well administered, good basic programs, good standard catalogs, and then interchange with your surpluses and shortages, and work together, you can do it, in my opinion, at a minimum expense, and you can be prepared for the expansion which we need in war. We are not like a business where you can contract and operate a very small operation....[35]

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[34] Ibid., p. 65.

[35] Ibid., p. 95.

The Single Manager Commodity Assignment Plan

As indicated in the preceding chapters, one of the most complex problems that has faced the Department of Defense, since the Unification Act, has been that of development of a suitable system for the management and distribution of common use items to the four military services. In developing a process or system, the objective has been to reduce inventories and eliminate overlapping or duplication of functions within the Department of Defense supply systems, and at the same time assure that military readiness and ability to expand in an emergency would not be jeopardized. This objective has apparently been at the forefront, despite the "stop," "go slow," "turn around," and "speed up" signs encountered enroute.

What has finally developed as the Department of Defense solution to the problem is the Single Manager Commodity Assignment Plan. As the first step in its implementation, DOD Directive No. 5160.11 dated 4 November 1955, directs the establishment of this principle to all food items in Army, Navy, Air Force, and Marine Corps depots in the United States, with the Secretary of the Army designated as the Single Manager.

What Is It?

The Single Manager Commodity Assignment Plan is a process whereby the Secretary of one military department, designated by the Secretary of Defense, is made responsible for the performance of all supply management functions related to a specified commodity for all military services. This assignment encompasses the entire supply field, from research and development through issue or disposal, including cataloging, standardization, requirements determination, procurement, production inspection, wholesale depot storage and distribution, transportation, and maintenance.

How Does It Work?

The Secretary of a military department is selected to act as Single Manager for a particular commodity. All of the other military services then provide him with basic data for computation of requirements. Ownership of all service wholesale depot stocks in the United States is then transferred to the Single Manager. After developing all requirements and matching them against what he now owns to meet total demand, the Single Manager then initiates procurement for the net deficit. He will carry all stocks in a revolving fund, and as the services require stock, they purchase from the Single Manager.

Within a geographical area, the Single Manager selects the most desirably located depot to support all services in the area. This selection may be done without regard to the service which owns the depot. The chosen depot then stores the depot stocks for the Single Manager, acting as his agent, and issues asrequired to all services. It is possible for the Army to be the Single Manager for a commodity category and to have stocks in Army, Navy, Air Force and Marine Corps depots. Only one depot will serve a given area, with the stocks stored therein owned by the Single Manager.

The Single Manager will direct and coordinate all research and Development, standardization and cataloging activities. He will be the only buyer of depot stock items, and he will be the only seller. He will designate those items to be bought locally. Since he has knowledge of all assets, concurrent buying and selling would be avoided, and he will be in a position to shift depot stocks to meet varying area needs. In this manner the greatest possible use of stocks is hoped for, and only that which is truly surplus will find its way to disposal, since only the Single Manager can determine that it is no longer required.

What Does It Do?

The Single Manager Plan purports to provide centralized control over requirements and distribution, purchase, storage space, inventory records, and standardization. It further purports to eliminate duplicate pipelines, duplicate depot storage facilities, and costly cross and back-hauling. Other objectives are to make interservice supply automatic, provide for effective rotation of mobilization reserves, and insure effective utilization of stocks, services and facilities.

The evolution of the Single Manager system has been unduly slow but progressive. It is the result of considerable study of several existing joint service operations, incorporating the lessons learned therefrom. Joint service operations, because of their very basic construction, permit no single ownership of stocks, thereby necessitating the maintenance of costly equity accounts. The joint agency is largely a service organization, able to provide for certain functional tasks such as procurement and contract administration. The agency can only perform at the call of the stock owner, and cannot provide single direction since there is no single head. This is not the case in the Single Manager plan. There is only one wholesale stock, effectively positioned (not universally accepted), centrally controlled, yet designed for the total DOD requirement, with the Single Manager reporting only to the Secretary of Defense.

Illustrative Presentation of the Plan

Pictorial or chart sheets used in the Department of Defense to "sell" the new system to top management are presented as Appendix I. They effectively show important facets of the present supply systems, and the future supply systems envisioned, utilizing the Single Manager Plan.

Summary

It appears that in the Single Manager Plan, the Department of Defense may have arrived at a workable, quasi integrated supply plan for common-use items and services, which will satisfy many of the objections voiced by congressional critics and the 1955 Hoover Commission Report. In the process, however, it will have splintered the integrated supply systems of at least one or more of the services, which, for the most part, have been highly effective. The Single Manager Plan will undoubtedly lead to application in areas other than the common-use groups referred to in the Department of Defense Charts--and hence will mean more intense supervision of the Secretaries of the military services and more direction of the tools normally exercised by such operating managers.

CHAPTER V

SUMMARY AND CONCLUSIONS

The subject developed in this paper has pointed up some definite observations of fact, opinion, and recommendation with respect to actions of Congress, the Department of Defense, and the Hoover Commission designed to achieve integration in the supply and logistics field. The more important of these observations are:

(1) The magnitude and complexity of the Armed Services and the experience of World War II served to focus the attention of Congress, governmental executives, and lay leaders upon possible savings in the field of coordinated procurement, storage, and distribution.

(2) Although the 1947 Unification Act directed that appropriate steps be taken to eliminate unnecessary duplication or overlapping in the fields of procurement, supply, transportation, storage, etc., it also specified that coordination was to be achieved without merging the various services.

(3) The 1949 Amendments to the Unification Act, while strengthening the authority of the Secretary of Defense, omitted the original language referred to in (2) above concerning the elimination of unnecessary duplication, etc., and reinforced the separate status of each military service.

(4) One of the more important areas which is a requisite for any worthwhile integration effort in the logistic field, uniform cataloging, floundered for several years due to the original insistence of Congress that a civilian agency be responsible for all governmental cataloging, although the Defense Department had an 85% vested interest in the program.

(5) As indicated by the hearings referred to in the discussion chapters, a small group of congressmen early considered it a primary chore to keep track (annually) of the integration efforts made in the logistic area in DOD. Many times these small groups conducted their hearings and investigations on assumptions that federal statutes specifically and unequivocally directed one completely integrated supply system for the Department of Defense, when in fact the statutes were discretionary.

(6) The efforts in DOD to achieve an integrated logistic system do not seem to have been pursued consistently and uniformly, although a constant objective has been to arrive at one best possible solution to a complex problem.

(7) The idea of a Single Manager Plan, recently announced as DOD policy, was included in a SecDef Memorandum for a feasibility study as far back as 1949.

(8) Although the O'Mahoney Amendment to the 1953 DOD Appropriations Act (permanent legislation) did include some statutory teeth to require integration of supply patterns among the various services, almost 3 years elapsed before the Single Manager Plan became official DOD policy.

(9) It appears to this observer that the 1955 Hoover Commission Report, in recommending a civilian managed Fourth Service of Supply:

(a) confused top policy civilian control with the need for military managers at operating levels who possess qualifications in both business administration and operational knowledge.
(b) was influenced directly or indirectly by the civil service representation around and/or among its ranks.
(c) really built a fire under the DOD and forced the early announcement of an integration program--the Single Manager Plan.

(10) The Single Manager Plan may provide the basis for a quasi integrated supply system which will satisfy certain elements of Congress and other critics. It is doubtful, however, that substantial economies will result, particularly in view of the fact that only the wholesale distribution system is affected, and as each service will retain staffs for retail and organizational functions. Only an unbiased evaluation of future operations will sustain or render invalid this

observation.

(11) The Single Manager Plan is a much more acceptable alternative, from a responsiveness and readiness viewpoint, than the Fourth Service of Supply recommended by the 1955 Hoover Commission Report. How acceptable and workable this plan would be under mobilization conditions is considered to be one of its vulnerable aspects.

(12) The Single Manager Plan further extends the enveloping arms of the Department of Defense's Assistant Secretaries over the operations of the military services.

(13) In view of the tremendous pressures from congressional and lay critics, it is believed that the Department of Defense had little choice to do less coordination than that envisioned by the Single Manager Plan.

SINGLE MANAGER

SUPPLY SYSTEM FOR COMMON-USE ITEMS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
SUPPLY AND LOGISTICS

THE PROBLEM : TO DEVISE A PLAN FOR MANAGING COMMON-USE ITEMS, DOD-WIDE, WHICH WILL ELIMINATE ANY POSSIBILITY OF OVERLAPPING & DUPLICATION IN THE SUPPLY OF SUCH ITEMS.

By "SUPPLY" is meant the complete cycle encompassing:

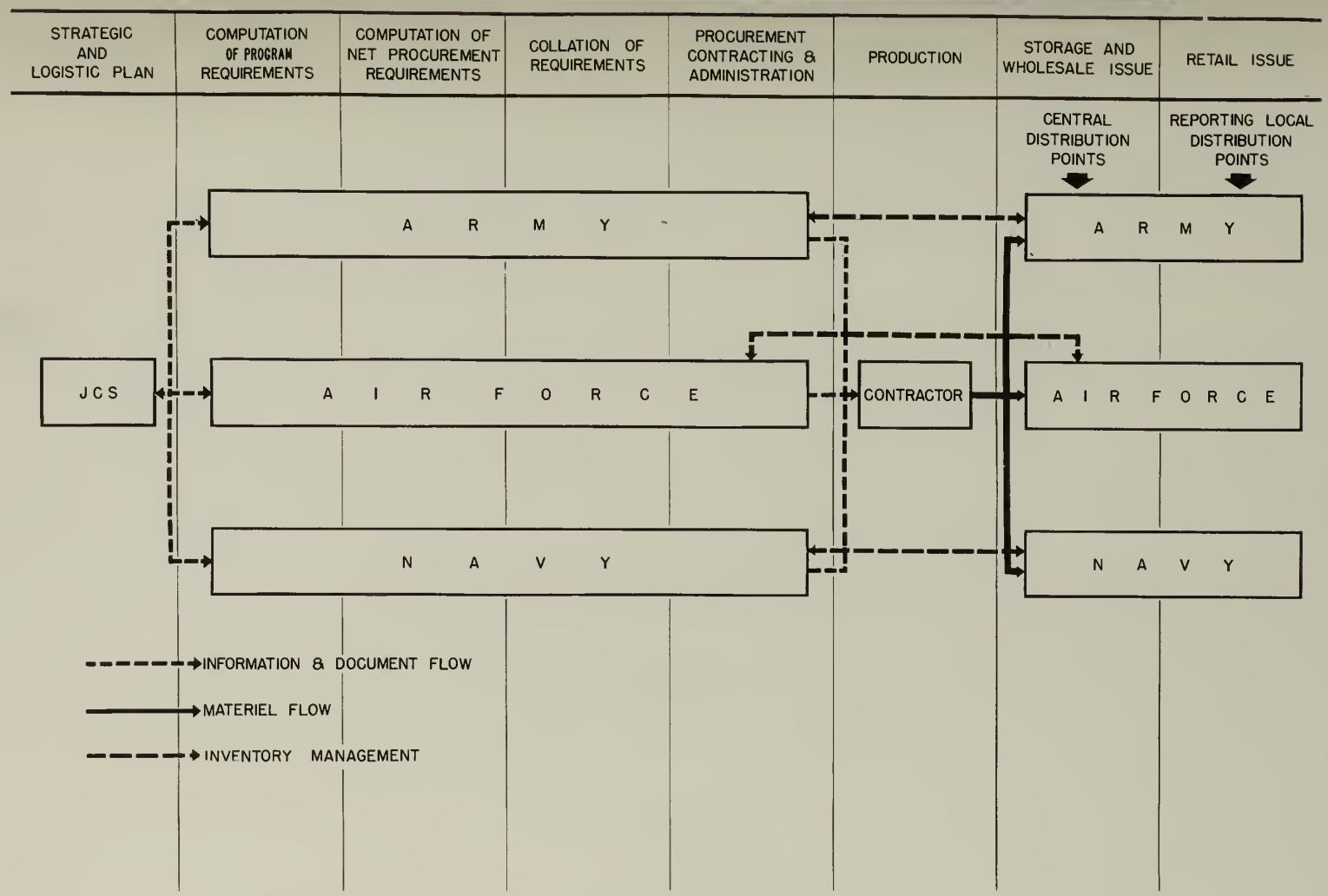
- RESEARCH & DEVELOPMENT
- CATALOGING
- STANDARDIZATION
- REQUIREMENTS DETERMINATION
- PROCUREMENT
- PRODUCTION
- INSPECTION
- STORAGE & DISTRIBUTION
- TRANSPORTATION
- "RETAIL" ISSUE
- MAINTENANCE & REPAIR
- DISPOSAL

What is meant by "COMMON - USE" ? - -

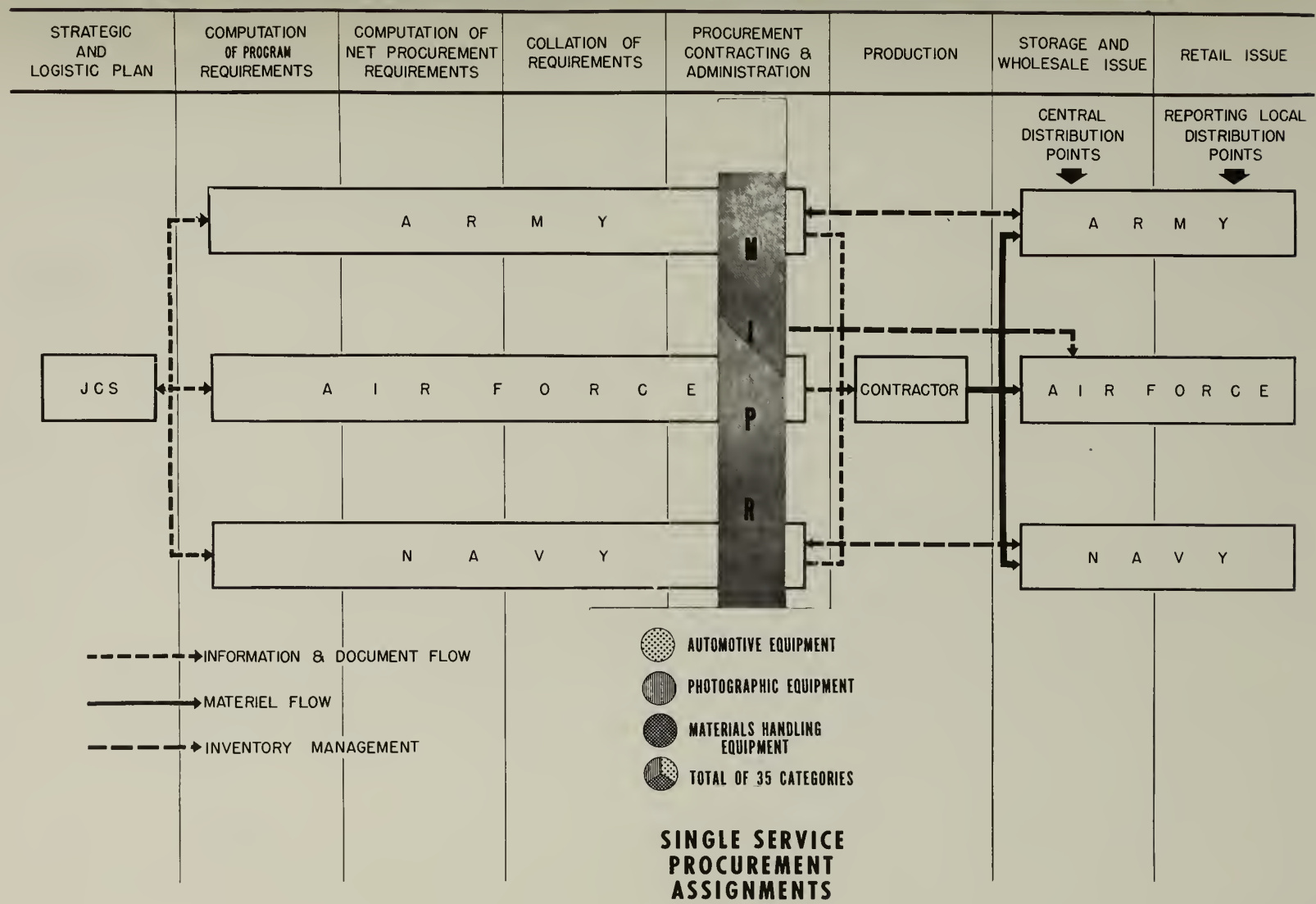
Military type ? Commercial type? Technical? Non-technical?

Definition: A CLASS OR CATEGORY OF ITEMS, OF COMMERCIAL TYPE, LARGELY NON-TECHNICAL IN NATURE, GENERALLY USED THROUGHOUT THE MILITARY & CIVILIAN ECONOMIES.

THE PRESENT SUPPLY SYSTEM



THE PRESENT SUPPLY SYSTEM



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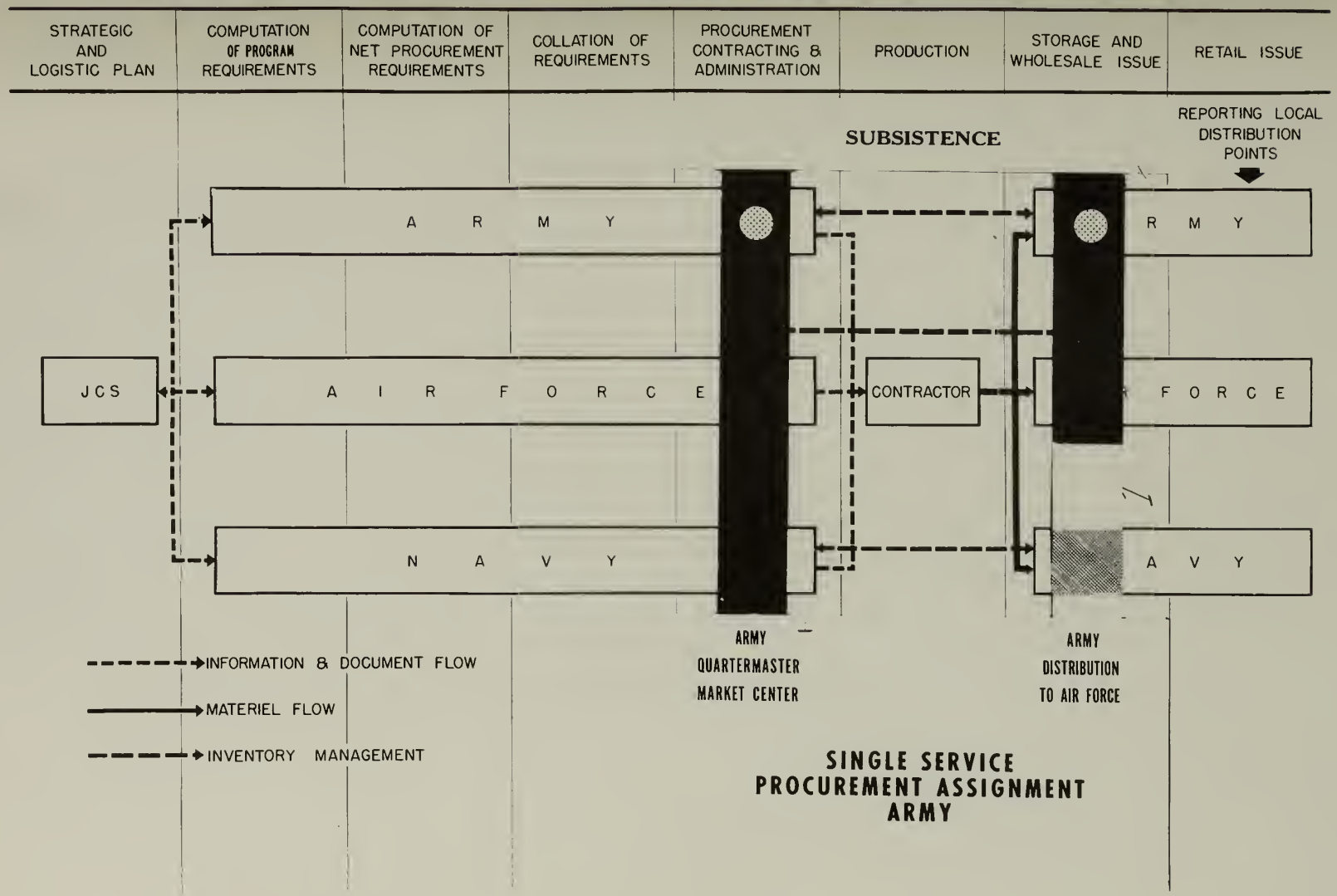
THE PRESENT SUPPLY SYSTEM



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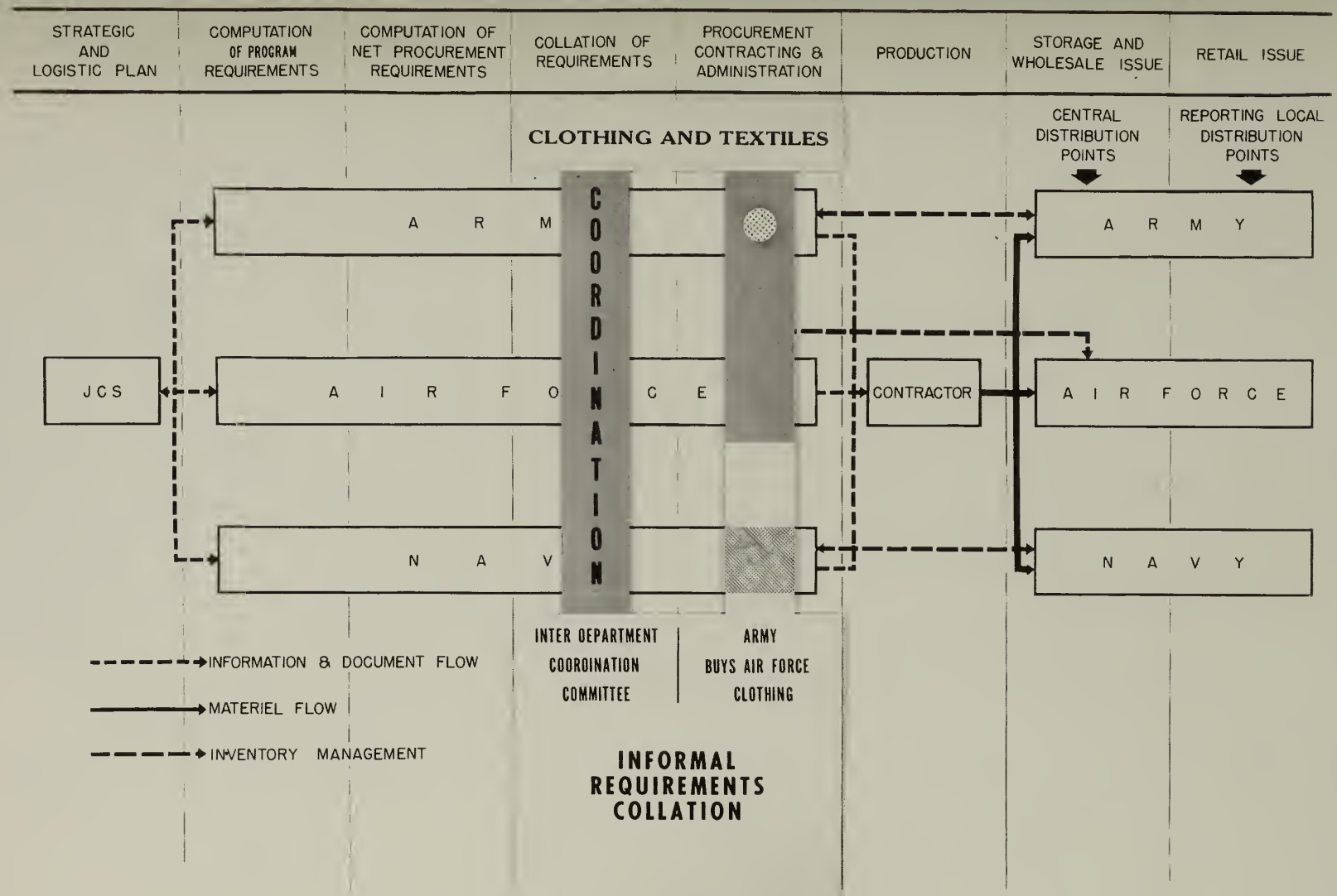

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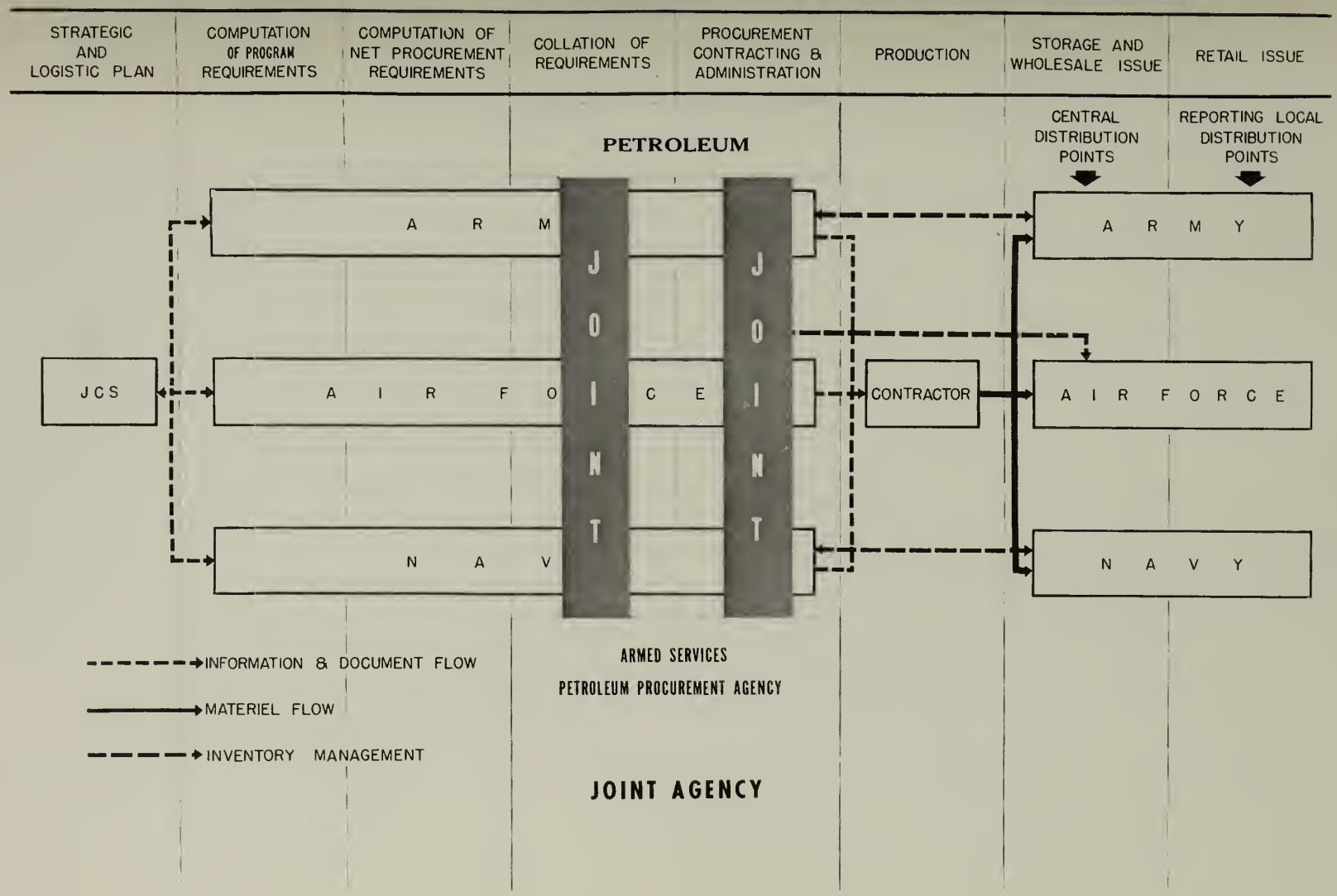

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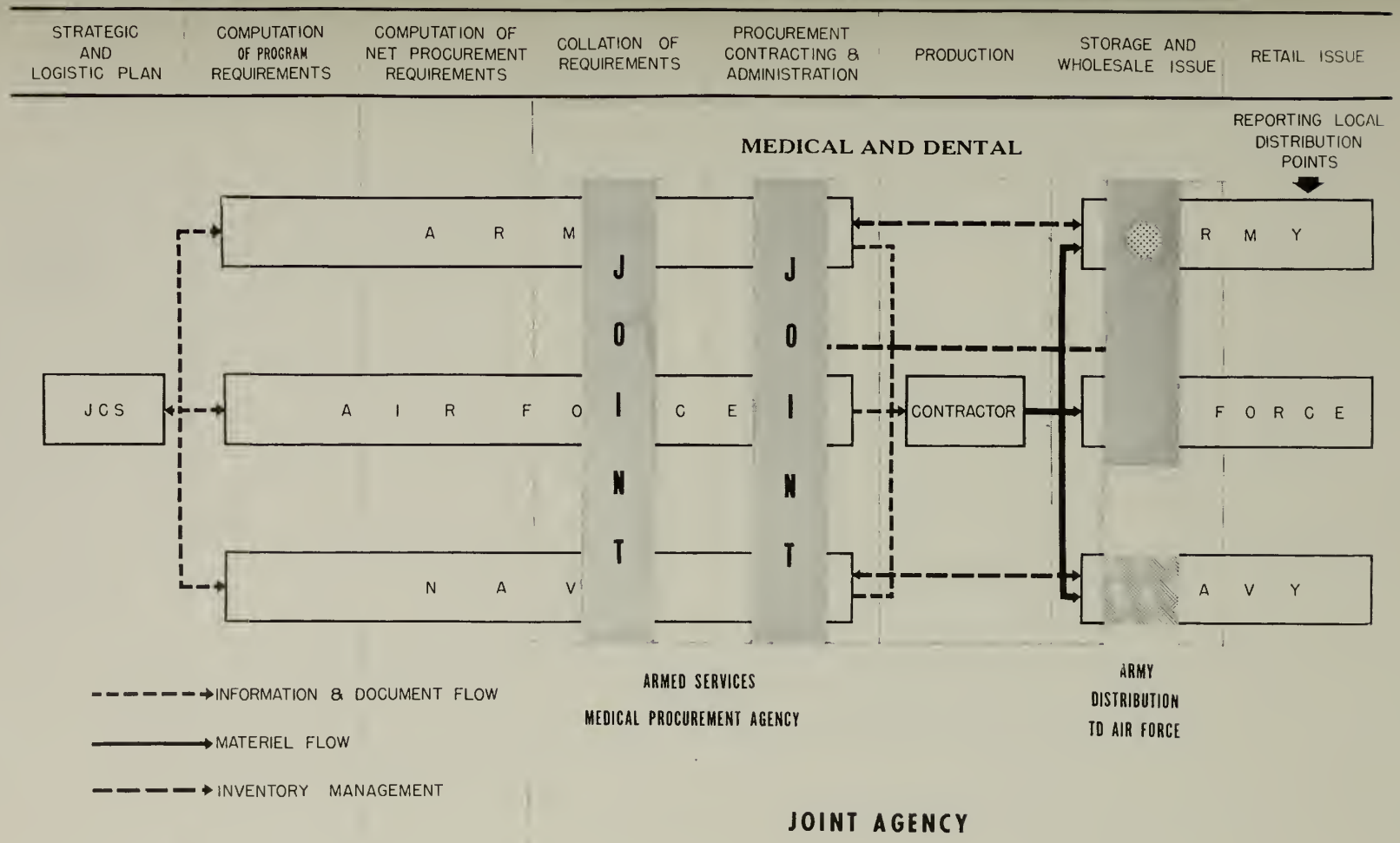
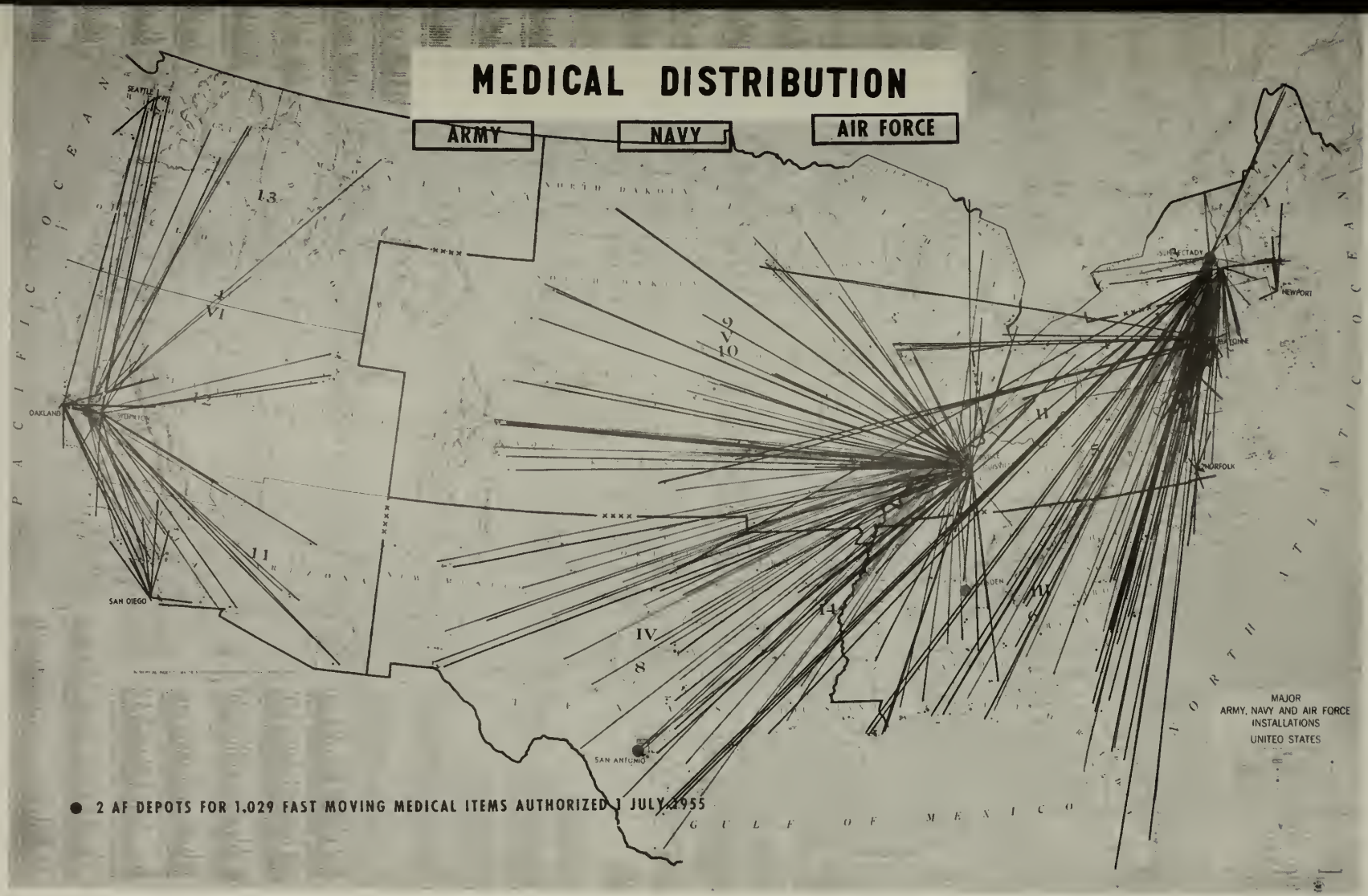


THE PRESENT SUPPLY SYSTEM



● 2 AF DEPOTS FOR 1,029 FAST MOVING MEDICAL ITEMS AUTHORIZED 1 JULY 1955

THE PRESENT SUPPLY SYSTEM

CRITICISMS OF PRESENT SYSTEM.

1. Alleged to be contrary to law. (O'MAHONEY AMENDMENT)

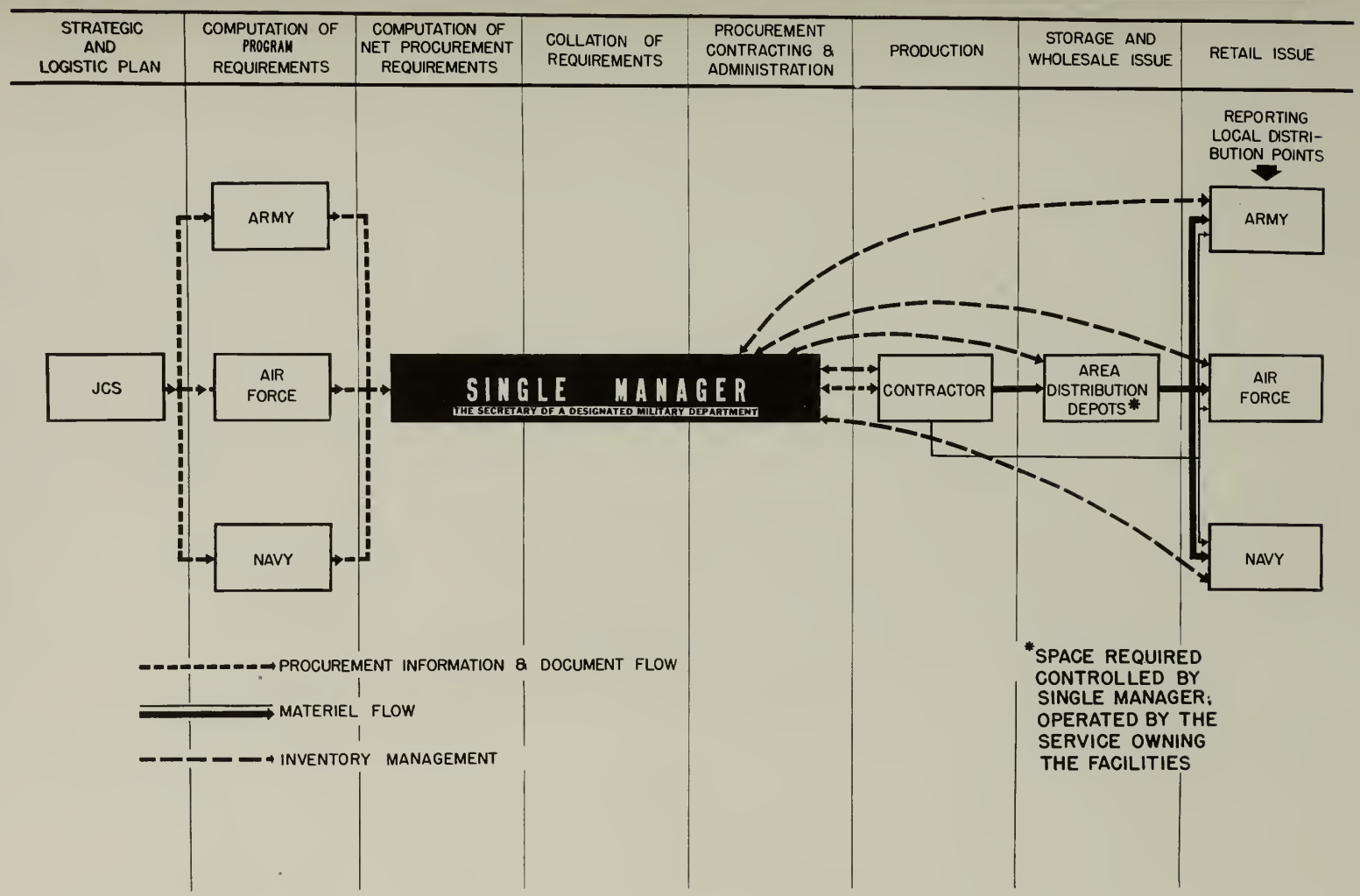
2. Departments jealously guard their separate autonomies.

3. They continue to expand their supply systems in the common item fields.

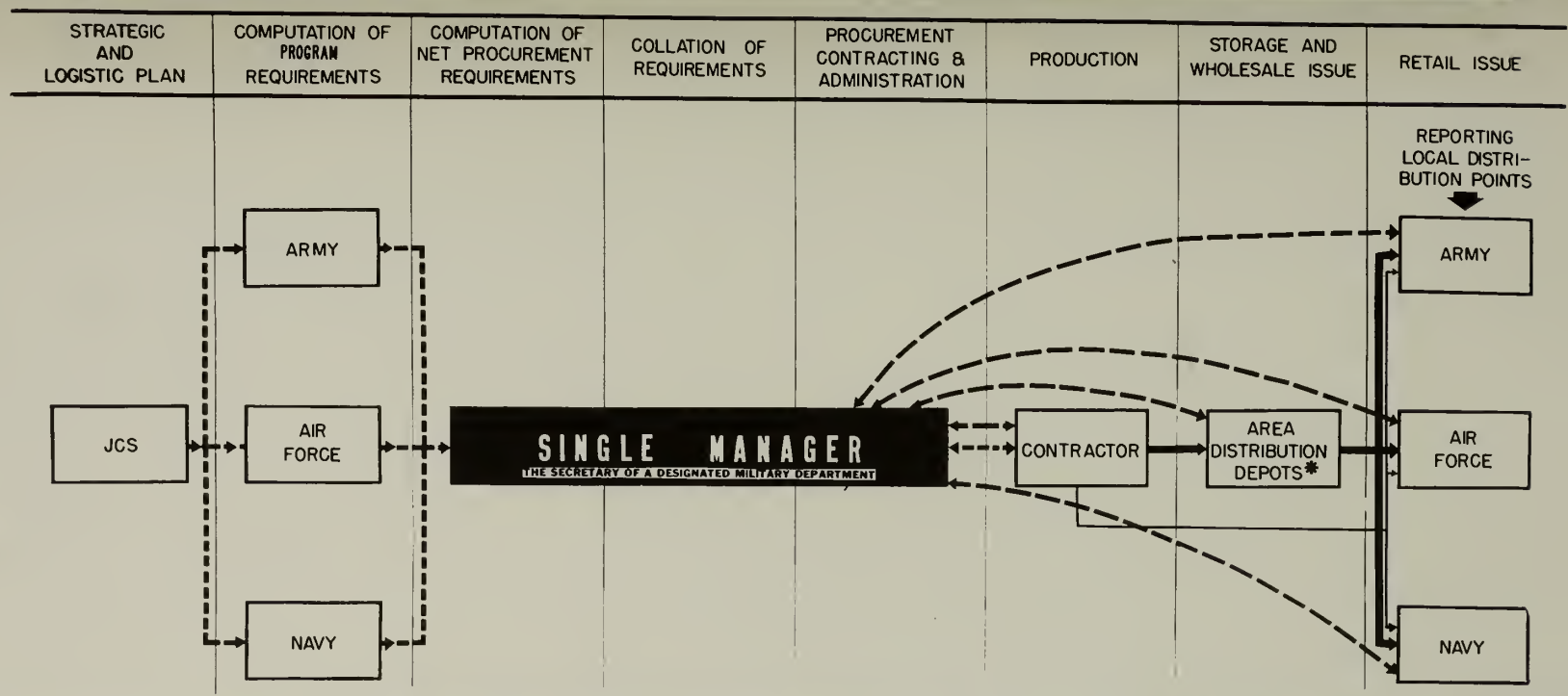
4. This is duplication and overlapping.

5. In determining net requirements, the separate departments do not make use of each other's assets.

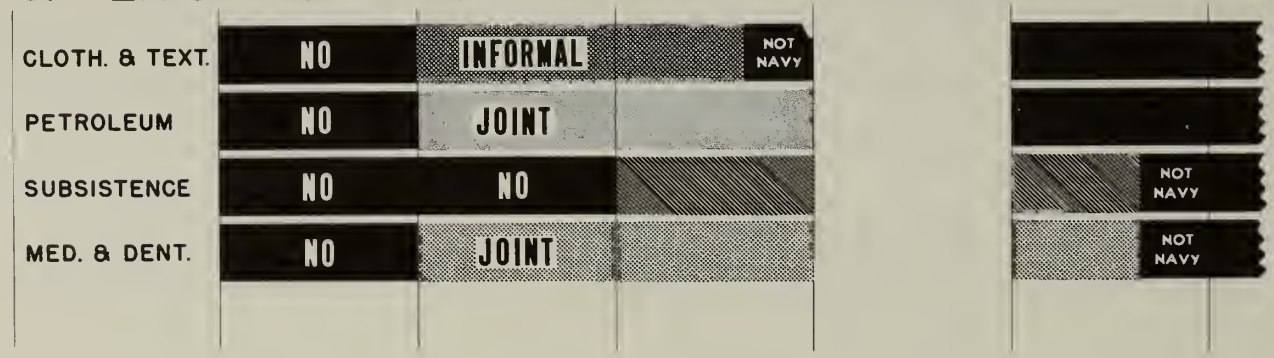
PROPOSED SINGLE MANAGER SYSTEM



PROPOSED SINGLE MANAGER SYSTEM



SUMMARY OF EXISTING STEPS TOWARD A SINGLE MANAGER SYSTEM



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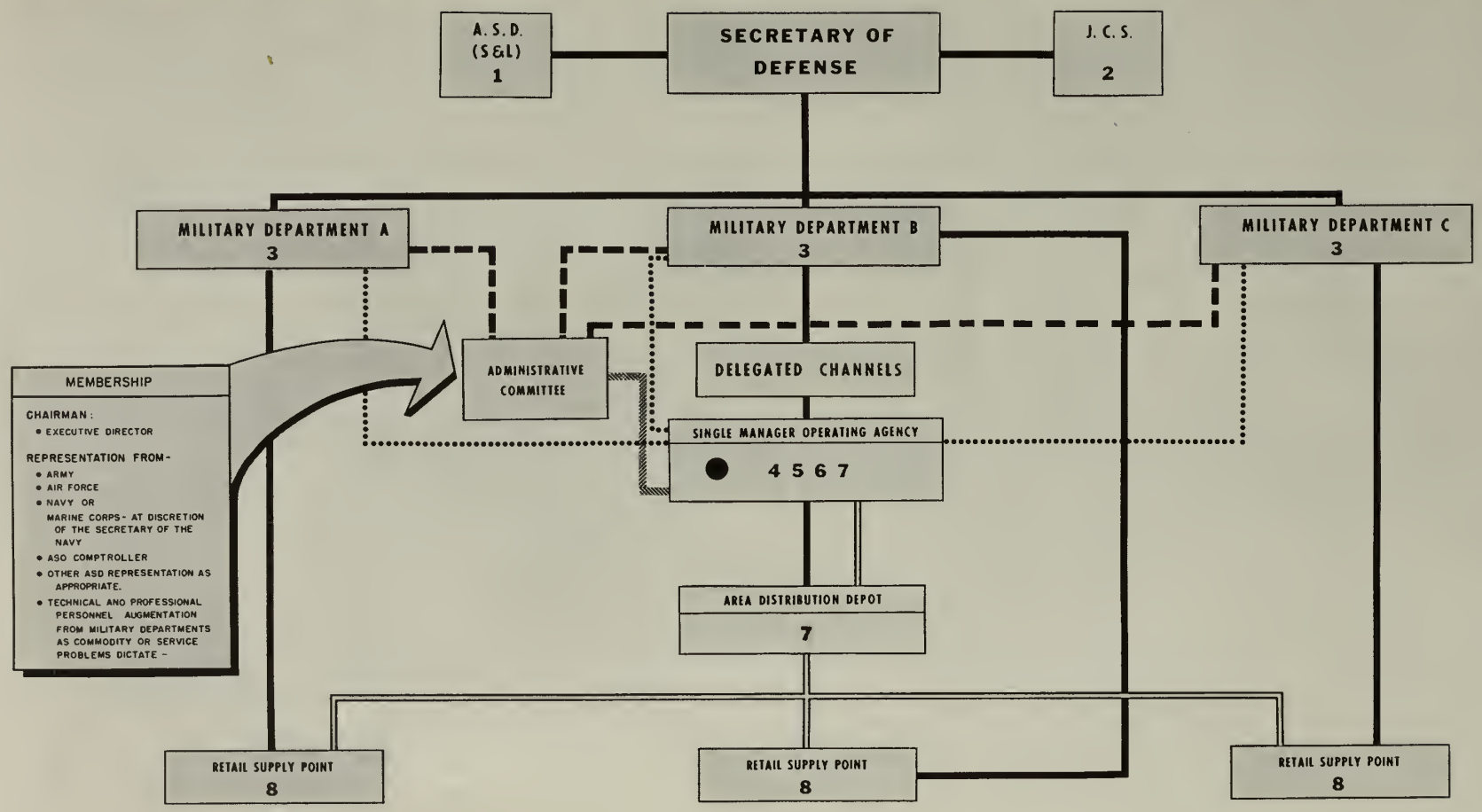
SINGLE MANAGER ORGANIZATION



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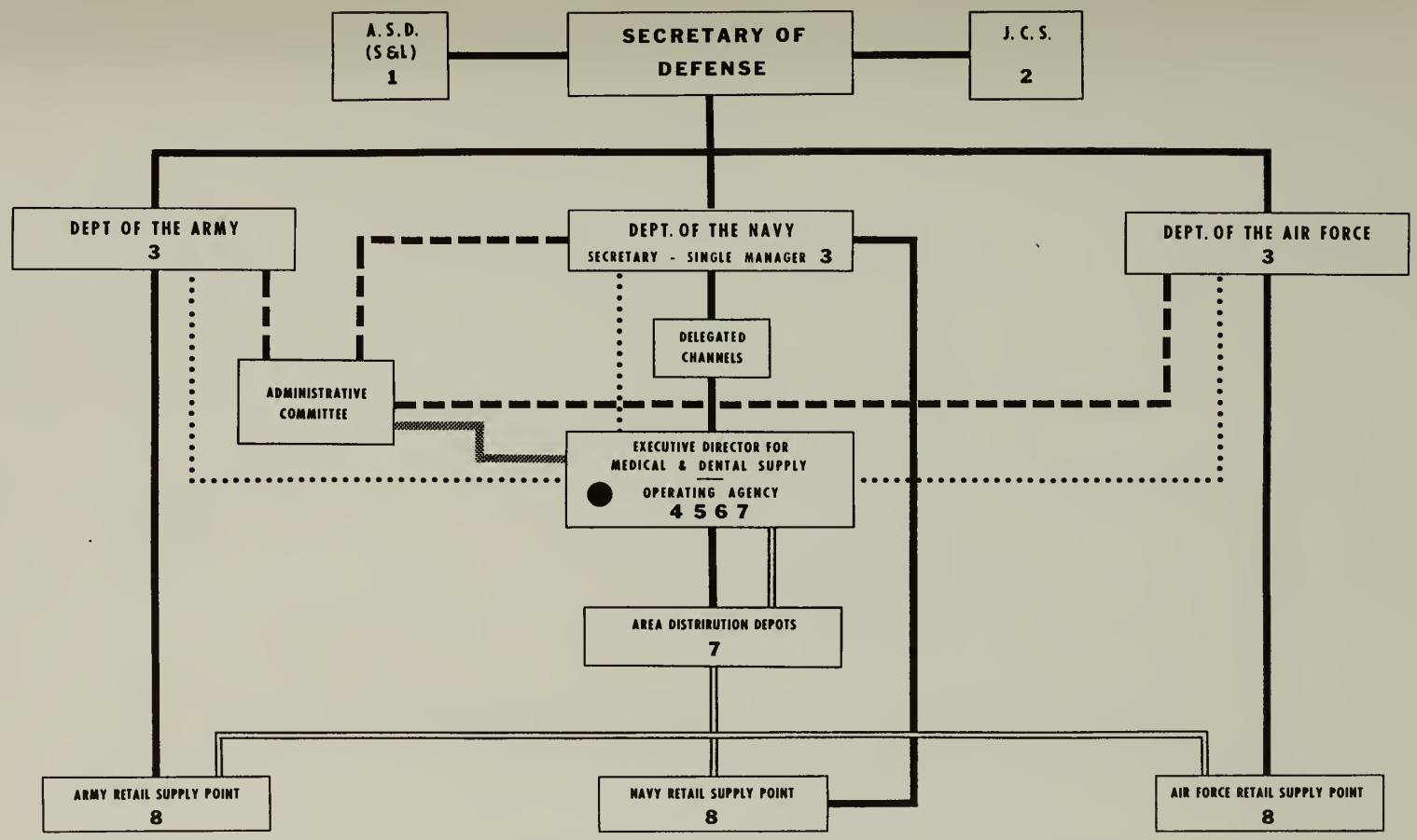
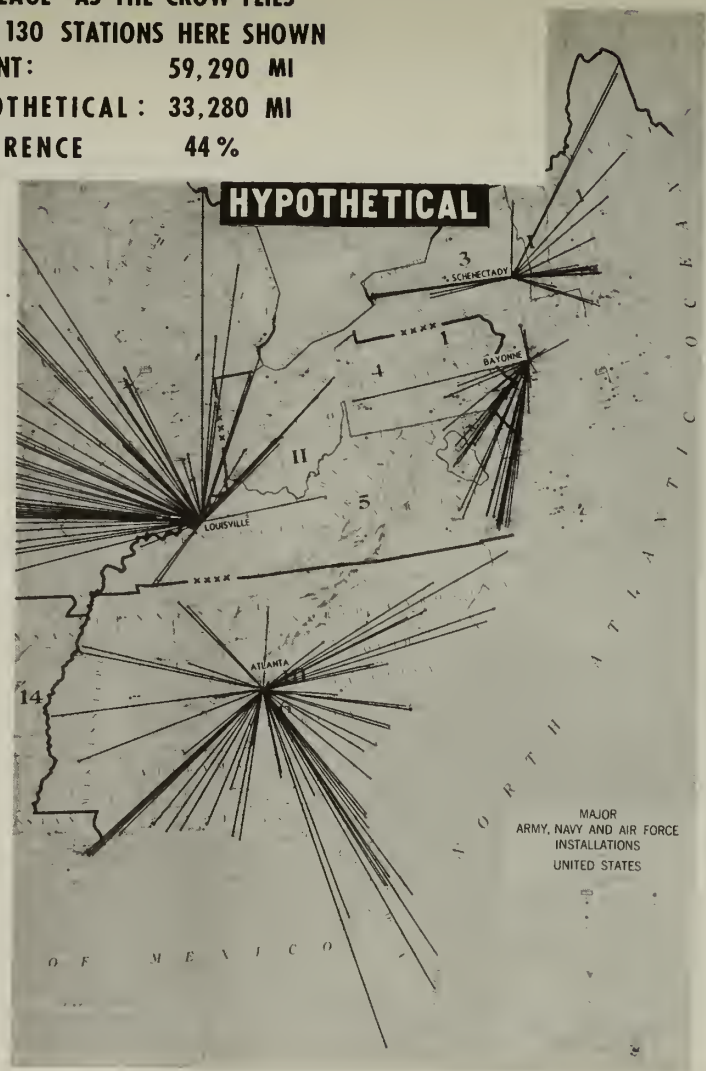


APPLICATION OF SINGLE MANAGER CONCEPT TO **MEDICAL-DENTAL SUPPLY**

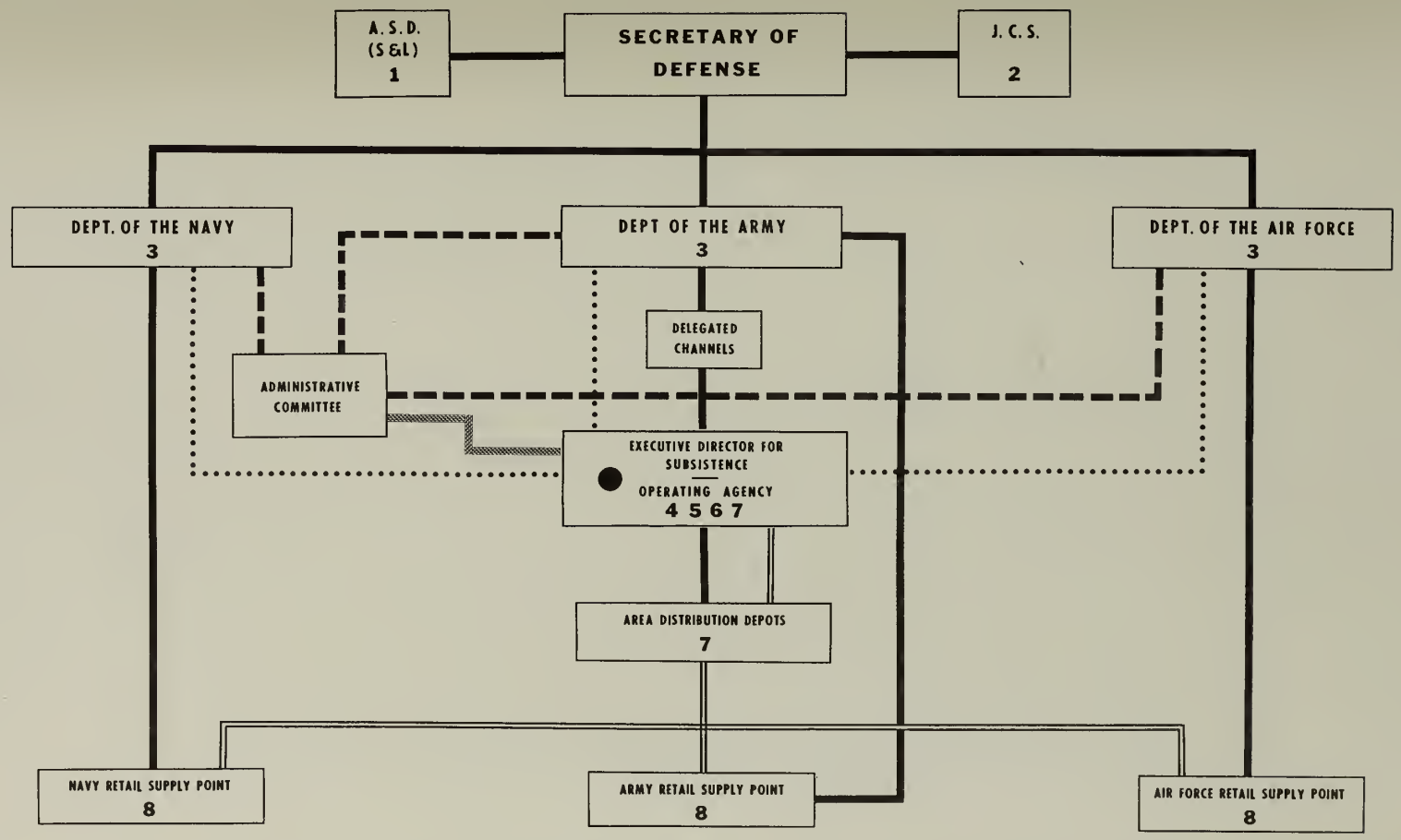
MEDICAL SUPPLY DISTRIBUTION PATTERNS (EASTERN STATES)

TOTAL MILEAGE "AS THE CROW FLIES"
DEPOT TO 130 STATIONS HERE SHOWN

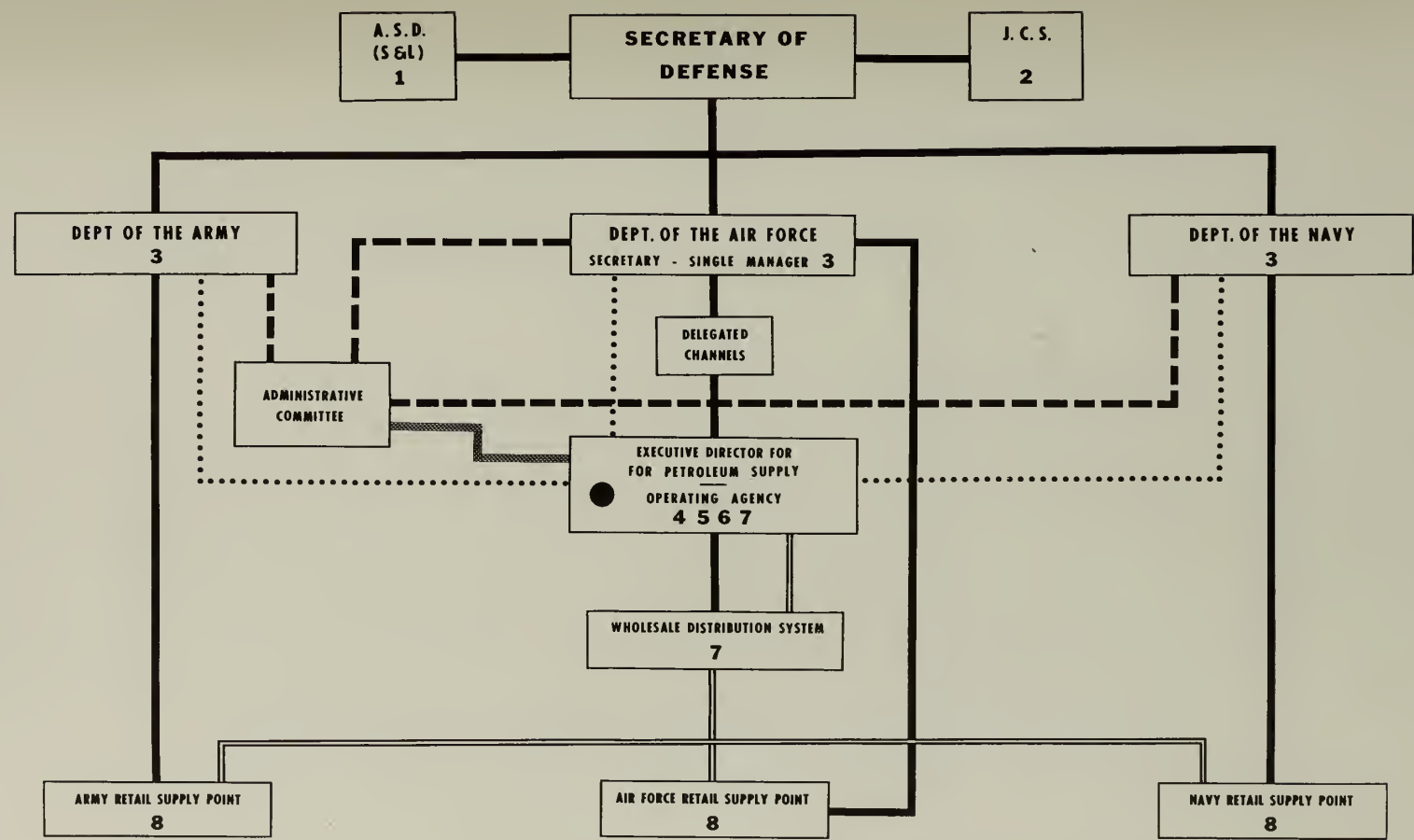
PRESENT:	59,290 MI
HYPOTHETICAL:	33,280 MI
DIFFERENCE	44%



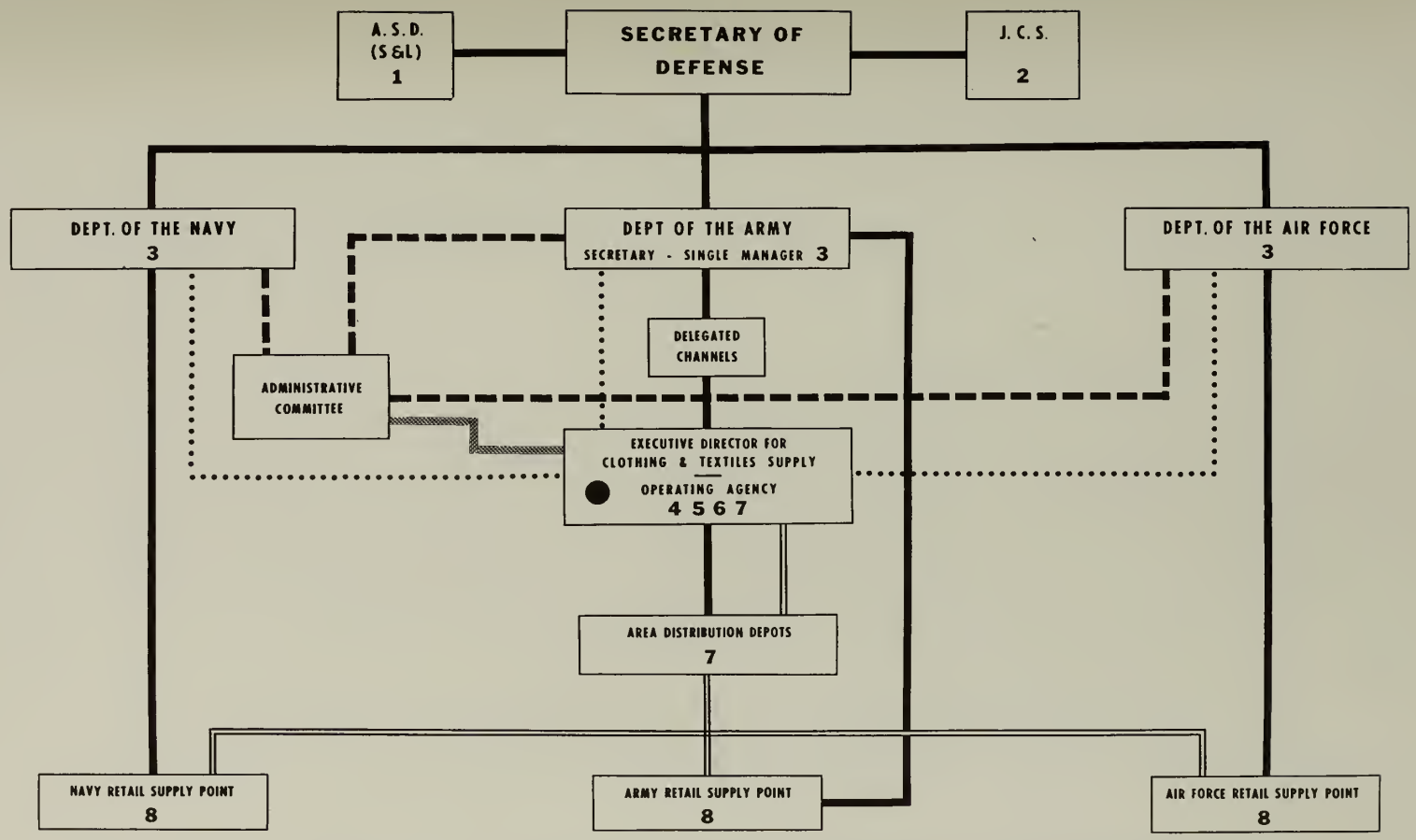
PRESENT: 5 DEPOTS
HYPOTHETICAL: 4 DEPOTS



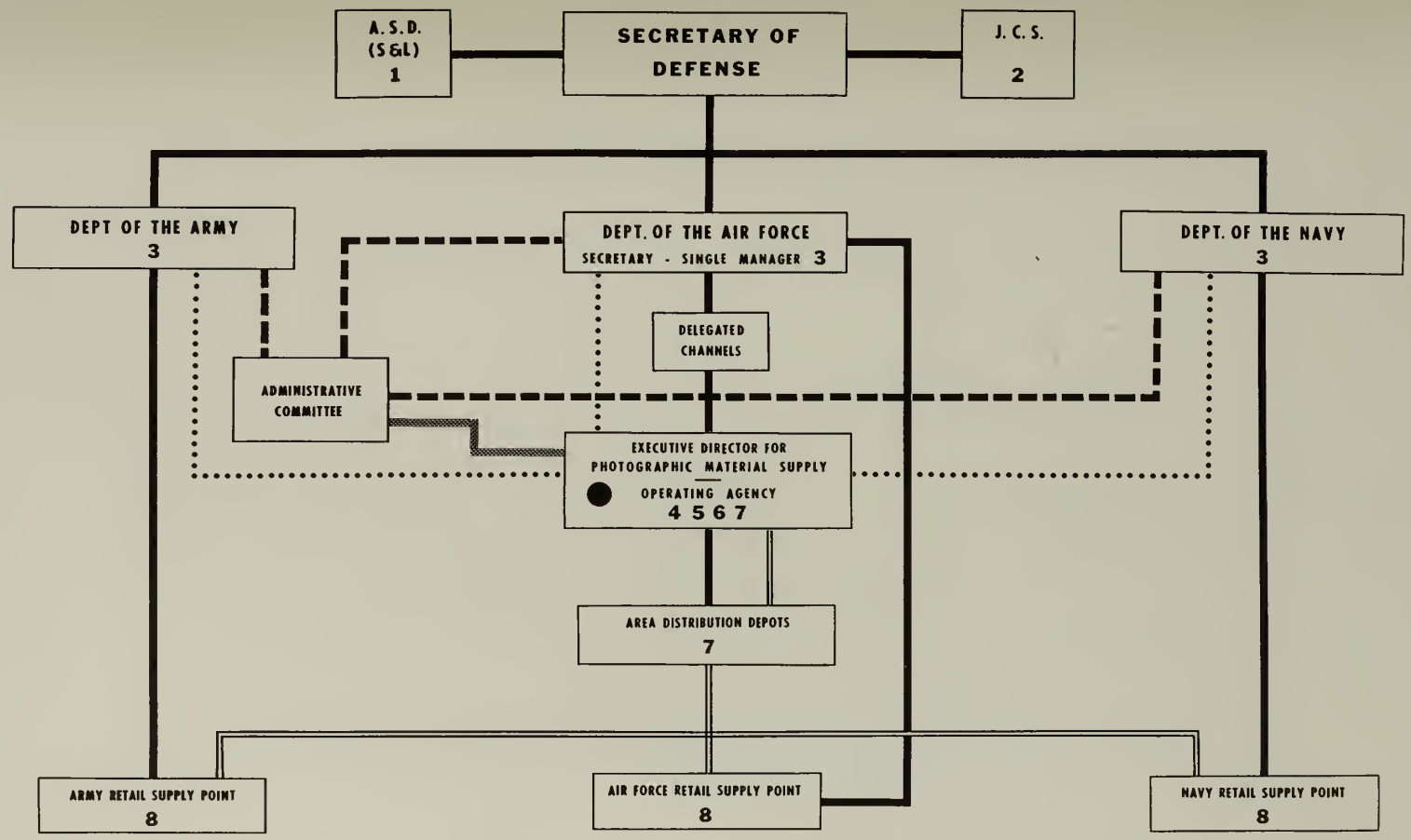
APPLICATION OF SINGLE MANAGER CONCEPT TO SUBSISTENCE SUPPLY (REVISED)



APPLICATION OF SINGLE MANAGER CONCEPT TO PETROLEUM SUPPLY

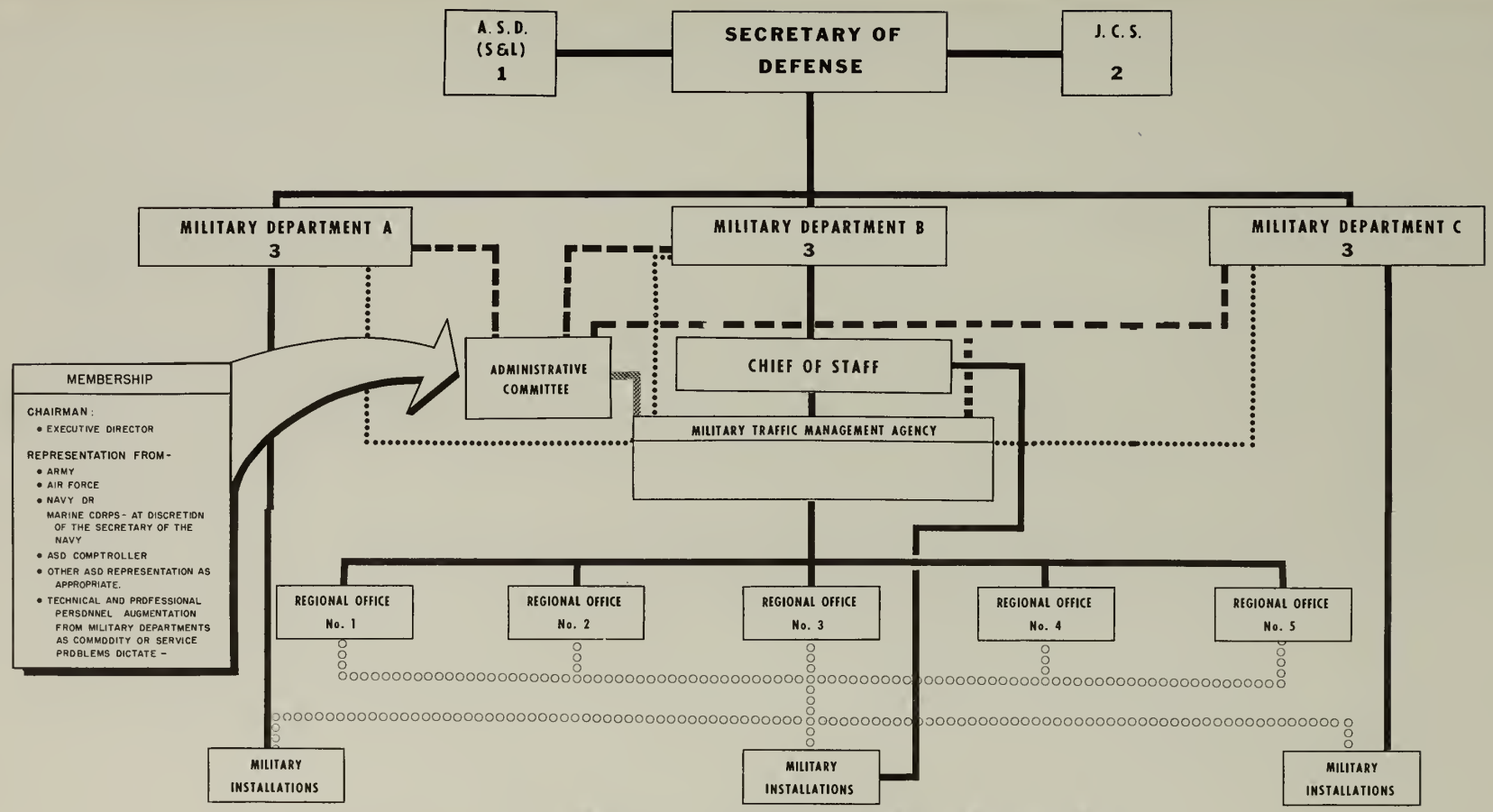


APPLICATION OF SINGLE MANAGER CONCEPT TO CLOTHING & TEXTILES SUPPLY



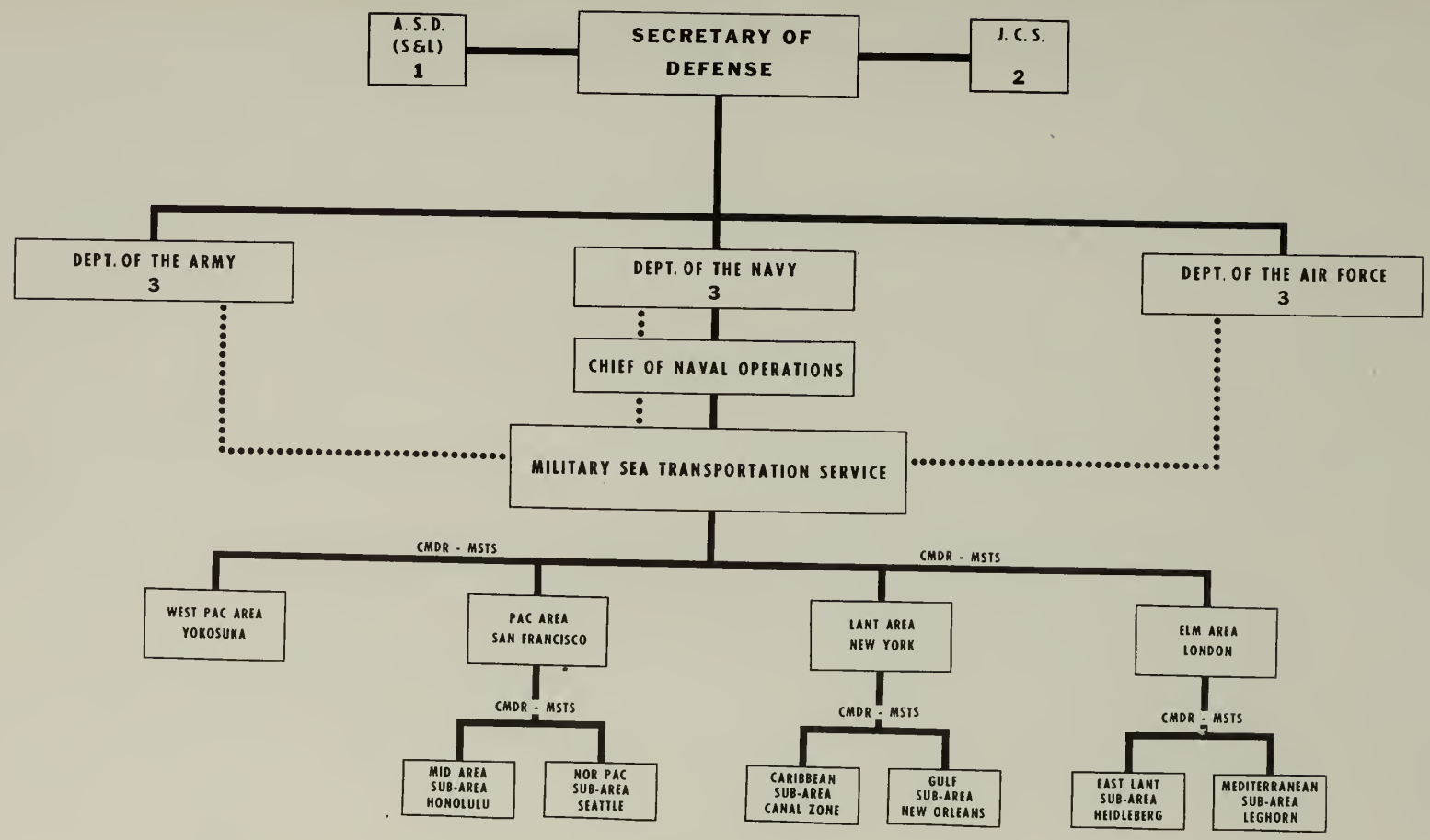
APPLICATION OF SINGLE MANAGER CONCEPT TO PHOTOGRAPHIC MATERIAL SUPPLY

SINGLE MANAGER ORGANIZATION

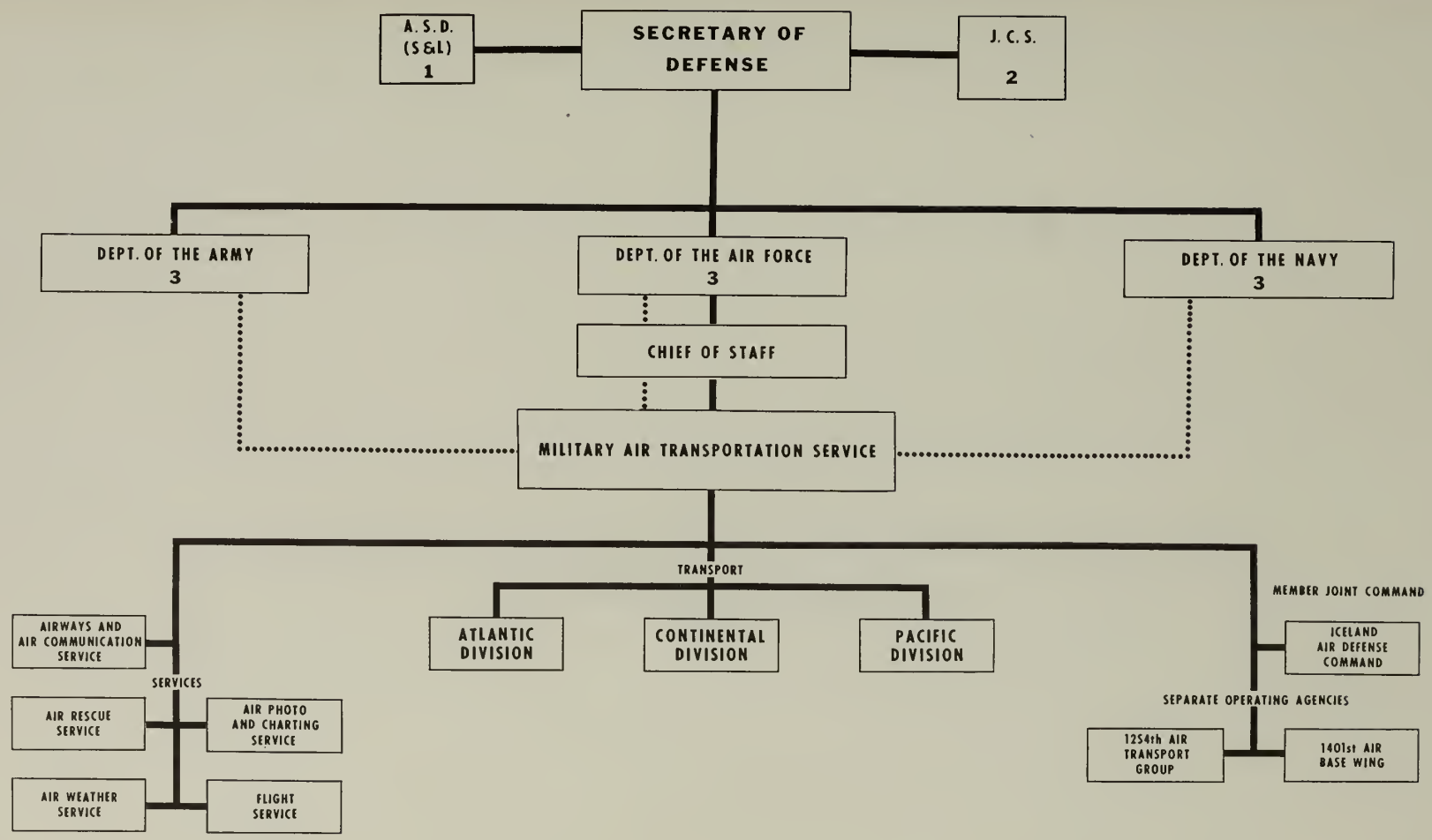


SINGLE MANAGER CONCEPT IN TRAFFIC MANAGEMENT
(PROPOSED)

MILITARY SEA TRANSPORTATION SERVICE



MILITARY AIR TRANSPORTATION SERVICE



PROPOSED SINGLE MANAGER SYSTEM

DOES THE SINGLE MANAGER SYSTEM MEET THE RECOMMENDATIONS OF THE HOOVER COMMISSION FOR CENTRAL AGENCY CONTROL?

WITH RESPECT TO:

MAKING ALL PURCHASES?	YES
KEEPING CENTRAL INVENTORY RECORDS?	YES
CONTROLLING STORAGE SPACE?	YES
ACCOMPLISHING INSPECTION?	YES
ESTABLISHING TRAINING PROGRAMS?	YES
STANDARDIZATION OF ITEMS OF SUPPLY?	YES

DOES THE SINGLE MANAGER SYSTEM MEET THE CRITICISMS OF CERTAIN ELEMENTS OF CONGRESS?

WITH RESPECT TO:

MULTIPLE SYSTEMS FOR THE SAME ITEMS?	YES
UNNECESSARY DUPLICATION AND OVERLAPPING?	YES
COSTLY CROSS HAULING?	YES
DUPLICATION OF PIPELINES?	YES
DUPLICATION OF STORAGE FACILITIES?	YES

PROPOSED SINGLE MANAGER SYSTEM

THE MOST APPROPRIATE CATEGORIES FOR SINGLE MANAGER ASSIGNMENT ARE:

MEDICAL - DENTAL	7,062	Items
PETROLEUM	1,046	
CLOTHING & TEXTILES	34,295	
SUBSISTENCE	1,861	
TOTAL	44,264	

THESE CATEGORIES:

- ✔ ARE LARGELY COMMON-USE ITEMS.
- ✔ ARE COMPLETELY CATALOGUED.
- ✔ HAVE HAD SOME COORDINATING ATTENTION.
- ✔ CONTAIN MANY OF THE DUPLICATING-STOCK, CROSS-HAUL TROUBLEMAKERS.
- ✔ ARE 2% OF TOTAL SUPPLY SYSTEM ITEMS BUT 20% OF LINE ITEM RECEIPTS AND ISSUES INVOLVING EXPENDITURES OF ABOUT $2.6 BILLION PER YEAR.

IT IS BELIEVED THAT THE SINGLE MANAGER SYSTEM

WOULD

- ✓ CENTRALIZE CONTROL OF NET REQUIREMENTS COMPUTATION.
- ✓ CENTRALIZE CONTROL OF WORLD-WIDE INVENTORIES FOR MOST ECONOMIC UTILIZATION.
- ✓ ELIMINATE DUPLICATION OF WAREHOUSING OF IDENTICAL ITEMS IN ADJACENT DEPOTS OF TWO OR MORE SERVICES.
- ✓ REDUCE THE TIME AND DISTANCE FOR SERVING RETAIL CONSUMPTION POINTS FROM DEPOTS.
- ✓ MAKE INTERSERVICE SUPPLY AUTOMATIC.
- ✓ ASSURE COORDINATION OF PROCUREMENT, PROCUREMENT SCHEDULING, AND CONTRACT ADMINISTRATION.
- ✓ THROUGH CENTRAL CONTROL, EFFECT MAXIMUM UTILIZATION OF ALL SERVICES' FACILITIES FOR RESEARCH, TRAINING, CATALOGING, STANDARDIZATION, AND MAINTENANCE AND REPAIR.
- ✓ CENTRALIZE IN ONE LOCATION SUPPLY DEMAND CONTROL FUNCTIONS, SUCH AS REQUIREMENTS COMPUTATION, INVENTORY MANAGEMENT, AND PROCUREMENT DIRECTION.

IT WOULD NOT

- X IMPROVE VALIDITY OF PROGRAM REQUIREMENTS.
- X OBVIATE NEED FOR STOCK FUNDS (IT MAY REQUIRE CHANGES IN THEM)
- X SIGNIFICANTLY ELIMINATE DUPLICATION IN OVERSEAS SUPPLY FACILITIES WHERE CLOSE COMMAND CONTROL OF SUPPLY IS ESSENTIAL. (IT MAY CONTRIBUTE TO IMPROVEMENT IN SOME OVERSEAS SUPPORT AREAS NOT DOMINATED BY TACTICAL CONSIDERATIONS.)
- X LESSEN THE IMPACT ON THE SUPPLY SYSTEMS OF LOGISTIC DEMANDS FROM CHANGES IN STRATEGIC PLANS.
- X CHANGE PRESENT SUPPLY SYSTEMS FOR TECHNICAL TYPE ITEMS.

CONCLUSION

THE SINGLE MANAGER PLAN IS CONSISTENT WITH:

1. Single service procurement
2. Inter-service supply support
3. Stock fund management controls
4. Unified command operation

IT USES THE EXISTING:

1. Trained personnel
2. Physical facilities--warehouses
3. Paper work--MIPRs, requisitions, etc.

IT IS CONCLUDED THAT IMMEDIATE ADOPTION OF THE SINGLE MANAGER SYSTEM WARRANTS CONSIDERATION.

FOR ANY SYSTEM, THE MOST IMPORTANT INGREDIENT IS..... THE WILL TO MAKE IT WORK!

B13982

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